innov8rs

The Innovator's Handbook

The Best & Latest in Corporate Innovation

2022

Innovation is more important than ever before

From implementing incremental improvements for existing products and services, to launching new business models and building disruptive ventures, as corporate innovators we are responsible for creating new value, resulting in top and/or bottom line growth.

That's of course easier said than done.
As we're entering post-Covid times, most fundamental challenges for leading and doing innovation in large organizations from before-Covid, still exist.

In fact, new and even more complex challenges are looming on the horizon – on top of ongoing internal discussions about the scope and structure of our function.

Over the last 12 months we've welcomed 5,500+ corporate innovators from around the world and across industries, in roles ranging from Junior Project Leads to Chief Innovation Officers, to 500+ sessions, to address those challenges, discuss possible solutions and explore new approaches.

It's impossible to capture all the insights we gained in all those conversations, but still, we wanted to share some of the key takeaways with the wider innovation community through this handbook.

Whatever you're currently working on, and regardless of industry and innovation maturity, this handbook offers you a comprehensive overview of the best and latest in corporate innovation, and practical tips for improving your innovation outcomes.

I do invite you to not just read the book, but to take action and implement your learnings.

On that journey, you don't need to go alone. We offer you a community of peers to learn from and collaborate with, as part of our community membership and online events Hope to "see you" there soon.

For now, enjoy the read!

Hans Balmaekers
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Hi everyone!

These past couple of years have introduced numerous challenges, but as these appear, so do new ideas and opportunities. This is when innovation presents itself the most. It has allowed us to not only adapt but thrive.

At Sparkademy, we are all about innovation and it starts with education; hence, we appreciate the Innov8rs community. It's enriching to learn from industry experts and discuss different points of view to expand our minds, develop ideas, and discover possibilities. After all, isn't that what innovation is all about in the first place?

In this handbook, you will find fascinating articles and discussions ranging from leadership skills to problem-solving best practices, fostering an innovation culture, and more.

We hope you learn and thoroughly enjoy the content as much as we did!

Best regards,

Alan Cabello and the rest of the Sparkademy team

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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.

Innovation sounds sexy and glamorous, but as we all know – in reality, it mostly 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'.

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.

Bringing innovators together since 2011

Since 2011, we've hosted 25+ conferences in 25+ cities around the world, from Singapore to San Francisco and Sydney to Stockholm.

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

Since 2017, we're hosting online sessions and events because there was no other way to bring together our "glocal" tribe. For 2022 and beyond, we'll offer a blend of online and offline formats.

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

One member recently summarized it nicely – Innov8rs is "great people, great content".

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, let's schedule a call.

Innov8rs Community

The Innov8rs Community membership is the best learning resource for any current corporate innovation professional.

We support you to further improve your innovation outcomes. Included in a membership are:

1. Participation to all Innov8rs Connect online events, offering always "the best and latest" on 8 key topics, as well as our Innov8rs Unconference.

2. Always and ongoing access to 800+ videos and other content items, covering everything corporate innovation A–Z.

3. Several peer support formats to tap into the expertise and experiences of other members.

As a member, you can engage how and as much as you want, based on your goals and interests. We help you make the most out of your time investment by suggesting what sessions to join, content to checkout and people to connect with.

You can pick and choose from 400+ live sessions each year. The content library always serves you everything you need to know in just a few clicks. And through the peer support formats, you can focus on whatever tops your to-do list.

It's the mix of these different learning opportunities and modalities (live or on-demand, with others or alone) that makes the membership such a valuable use of your precious time. Let's explore these three items in more detail.

1. Always the "best and latest" at Innov8rs Connect events

We run 8 online events each year, each covering one key pillar of corporate innovation, and 1 Unconference program where participants set the agenda.

Featuring the best and brightest experts as well as the most respected innovation leaders, our events always offer access to "the best and latest" on each of these eight topics. Per event, there's a wide range of live sessions to join, as well as content to consume and a diverse group of peers to engage with.

Innov8rs Connect events are not your typical event: you'll learn and do stuff. Whatever your challenges are, and regardless of industry and innovation maturity, you'll leave with new, practical insights and an upgraded toolbox, to implement right away.

Participation to Innov8rs Connect events is included in an Innov8rs Community membership. The events are open for non-members after application, with passes for individuals and teams, for single and multiple events.

Here's the current schedule for 2022 – keep an eye on our website for updates:

- Strategy, Leadership & Organization | 20-22 September 2022
- Governance, Portfolio & Program Management | 27-29 September 2022
- Foresight & Business Design | 25-27 October 2022
- Venture Building & Scaling | 1-3 November 2022

- Careers & Personal Development | 11–13 January 2022
- Startup Collaboration & Ecosystem Engagement | 15–17 February 2022
- Culture, Talent & Teams | 15–17 March 2022
- Climate & SDGs | 12–14 April 2022
- Unconference | 17 May – 1 July 2022

2. Access to 800+ videos and other resources

Innov8rs Community members have always and ongoing access to 800+ videos and other (curated) content items, covering everything corporate innovation A-Z. Moreover, you can ask questions, join discussions and share your experiences with other members via our community platform.

Whether you want to deep dive into a particular topic, or you just want to stay current, this is the only content resource you'll ever need.

3. Peer support formats

Innov8rs Community members can make use of several formats to tap into the expertise and experiences of other members.

For example, a "Quarterly Quest", leaves members with relevant insights to address one issue in just three months, through small-group sessions with selected guests, as well as targeted introductions and content recommendations. To get feedback on a question, members can host a "Challenge Call".

Besides, members can join peer circles for topics and/or industries, and join monthly Community Club calls. Because one insight, one a-ha moment can make all the difference.

There are two types of memberships for Innov8rs Community.

*The **Innov8rs Community Pass** includes all of the items above: participation to all online events as they happen, access to our content library plus several peer support formats.*

*The **Innov8rs Content Pass** does include access to our content library only..*

Both passes are available for individuals and teams. Membership is by application only. Schedule a call to discuss more details and how a membership supports you and your team.

Let's meet IRL again in 2022 :)

Over the last two years, we've all missed that feeling of meeting and talking with real people in real life... But it looks like we can meet again in 2022 (yay!).

We are tentatively planning for IRL conferences in Europe (Zurich, Switzerland – 1-2 June 2021) and North America (Austin, Texas – fall).

These are not your typical tech or startup events with thousands of people chasing business cards. Our conferences are intimate learning experiences where you'll work on actual challenges, together with 200+ other corporate innovators, from across industries, each bringing their own unique perspectives and experiences. Beyond several working sessions and talks, we'll go out and explore the local innovation ecosystem as well.

If you can only join ONE conference next year, make sure it's Innov8rs. Stay tuned for more info via our website soon.

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

Trusted by brands. Loved by peers.

You'll be in great company. Our 500+ members and 5,500+ event participants have 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
- Leader/professional in Strategy, IT/Digital, R&D/Product, Marketing, HR/Change/ Transformation

Working for brands like

> "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."

Join the tribe

Innov8rs is your best support resource to learn new approaches, solve challenges and improve outcomes.

If you'd like to know more, let's discuss how a combination of our online (live + on-demand) and IRL offerings would support you and your team throughout 2022.

Talk soon!

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Strategy, Leadership & Organization

Strategic Innovation as Management System

Strategic innovation is an organizational capability that requires a management system designed to support the objective of new business creation, which includes reallocation of resources and changing business models suggests Gina O'Connor, Professor of Innovation Management at Babson College.

Gina O'Connor
Professor of Innovation Management at Babson College

The question is- how do you design such a management system that works in parallel with the core business while supporting the "new stream"?

Such a management system is comprised of eight important elements:

1. Clear mandate
2. Culture
3. Governance
4. Organizational structure
5. Processes
6. Talent management
7. Resources
8. Appropriate metrics

These elements need to be designed to reinforce one another. Often, even if there may be a mandate to create "newstreams", we use the same processes, skill sets, resource allocation models, etc as we do for "mainstream" activities, which undermines the objective.

Three Organizational Competencies for Strategic Innovation

When organizations successfully manage strategic innovation, they display these three competencies:

1. **Discovery.** A competency of conceptualization. The ability for creation, recognition, elaboration, and articulation of opportunities.

2. **Incubation.** A competency of experimentation. Evolving the opportunity into a business proposition.

3. **Acceleration.** A competency of scaling. Ramping up the business to stand on its own, so it can successfully compete for resources within the core business.

Within each of these aspects, there need to be different people, processes, resourcing strategies, and metrics What you need for discovery will be very different from what you'll need in acceleration. Elements of the management system have to be designed within the strategic innovation function to accommodate each of those parts.

Four Dimensions of Uncertainty

Strategic Innovation teams are going to encounter uncertainty in four key areas:

- Technical
- Market
- Resource
- Organizational

Of the four, organizational uncertainty is what kills off innovation projects most often.

This is the politics of the organization and the confusion about where the "newstream" business fits in the organization's current divisional structure. New business models are often force fitted into an existing organization, and people in the core can end up attacking and incrementalizing the new opportunities. Organizations will have to manage organizational uncertainty through governance models, such as an Innovation Council.

Avoiding the Problematic Project Pipeline

Large corporations have a tendency to believe that whatever goes into the project pipeline has to come out, otherwise, it's considered a failure. Instead, move away from the pipeline idea to a portfolio of opportunities that are incubated within a big problem/opportunity space, e.g. a "domain of innovation intent."

In order to hedge their bets, company leaders (members of the Innovation Council) should identify and commit to several domains of innovation intent that they firmly believe will become the "newstream" businesses that fuel the company's future.

You start by thinking about the problem/opportunity areas that your organization sees as future states to which it can contribute. It takes work to identify these and articulate them in a compelling manner. These become your domains of innovation intent. Then, investigate those areas with many opportunities. The discovery work is to populate the opportunity landscape of that domain.

Then you can move on to incubation, where you can experiment with viable opportunities to find an emerging business platform. Probably 80% of those possibilities will fail as you vet them through incubation, but you'll end up developing an emergent strategy for what the business will look like in the new area. All the learning gets wrapped into determining the first point of entry in the market, with a plan for follow-on products and use cases.

When there is traction, and you start getting repeat business, it's time to scale. That's when it's time to invest the big money. Discovery and incubation are not that expensive, but acceleration is. Commitment to the Domain of Innovation intent at the most senior levels of the organization helps assure that funding will be available when it's time to scale the business.

Creating Structural Ambidexterity

Don't ask people to do breakthrough innovation in the morning and incremental innovation in the afternoon. Instead, organizations need structural ambidexterity, which they achieve when the exploration and exploitation activities are separate parts of the organization.

Management will need to define the structure and handle the integration of the two at the level of the Innovation Council. But it is important to clearly define roles and responsibilities for the strategic innovation function so that "newstream" creation is a persistent activity in the organization and so the organization can consistently attend to improving their strategic innovation capability. Strategic innovation roles are defined for discovery, incubation and acceleration at the project/opportunity level, the domain level and the portfolio level.

This allows the core to commit to operational excellence, continuing with what it knows and working on doing it better, faster, and cheaper. The strategic innovation function can then exist with its own mandate and management system designed to support it.

Innovation Role-Related Challenges & Roadblocks

Strategic Innovation needs to be a discipline and a profession in its own right, with roles legitimized and paths for advancement. The people who volunteer for the task of strategic innovation face a lot of challenges and risk their careers. Retention matters, too, because when innovators leave they often join competitor organizations in new innovation roles.

Within a strategic innovation structure, you need to have leadership and support people for the discovery, incubation, and acceleration phases. Companies may resist this structure, claiming it adds too much overhead cost, but it's necessary if strategic innovation is to become a sustained capability in the organization.

There are ways to adopt the roles framework for smaller organizations or organizations that are just starting to build their strategic innovation capability. You can start small and build from there with the discovery, incubation and acceleration roles.

At the top of the innovation structure, you need a Chief Innovation Officer and/or an orchestrator. Sometimes one person plays both roles, but not once the strategic innovation function matures.

The orchestrator can scan the organization as a whole and look for innovation islands acting independently but doing many of the same things. They can build a system to connect islands of innovation and get people the right training and tools. They can also work with the innovation council to review the portfolio of emerging businesses. The orchestrator constantly audits the strategic innovation function to find approaches to continuous improvement in its outcomes. The Chief Innovation Officer works with the Innovation Council to develop the domains of innovation intent and align them with the company's strategy for the future. S/he works with the council to review the portfolio of emerging businesses and help guide their direction as decision points emerge.

The biggest roadblock companies often face is having the right composition and understanding of the role of the innovation council. This group should be senior corporate leadership who are less concerned with the health of one business unit over another, and more concerned with the long run health of the organization.

Making this part of the process clear will help teams work on opportunities that are strategically relevant. If the mandate isn't clear, then they can end up having the rug pulled out from under them when it comes time to invest in scaling.

How Invincible Is Your Company?

Leaders today are embracing that innovation is important, and something that they can use to drive their growth. However, the fundamental question then becomes, how is that done?

Alexander Osterwalder & Tendayi Viki
Associate Partner / Co-founder at Strategyzer

Instead of innovation being a one-run-off project or merely innovation theater, what can companies do over and over again? So, what is it that makes a company invincible- being able to reinvent themselves systematically?

Alex Osterwalder, Co-Founder at Strategyzer and author of The Invincible Company, and Tendayi Viki, Associate Partner at Strategyzer and author of Pirates in the Navy, typically use three questions to determine and measure if the innovation efforts are having an impact on the business or not.

Question One: What is the Kill Rate?

If companies don't have a high kill rate of innovation projects, they are probably working only on efficiency innovation, to improve what they are already doing.

Invincible companies kill a lot of their projects, all the time. They even kill the good ones, because they have so many that they only want to have the best ones survive.

How does this work? You will start at a very risky beginning point since you have never tested your idea. By following the lean startup principles you will then de-risk your ideas.

The thing is: you cannot pivot yourself to success. In order to succeed, some of these ideas need to be killed. If they are not, you will condemn your teams to succeed. And when these teams are condemned to succeeding, what ends up happening is they will hedge their bets because they will not want to look bad.

This does not help the company's innovation performance. In truth, it stops the best ideas from emerging. That is why if there's a no-kill rate, you will not have radical projects that spur reinvention over time.

The opposite of the kill rate is the number of zombie projects a company keeps running. These projects are not really providing any value or evidence of progress; instead they remain in the portfolio because they become someone's pet project. These zombie projects can actually continue to live forever and fund themselves, taking away money from what really matters.

Question Two: What Contributions Are Your Innovation Projects Making to Company Growth?

The second question that companies need to be asking if they are building a repeatable innovation ecosystem, is: what contributions are your innovation projects making to company growth? This is the ultimate metric because it looks to what extent what you're working on creates value.

We can genuinely create value for the company, primarily in two ways — by hitting the top or bottom line, and by creating a shift in culture that supports innovation.

You can create a simple 2x2 impact map, plotting all the initiatives in your organization and how they score in value creation and culture change. This exercise also helps to connect all those separate initiatives together, and align them with your organization's strategy and innovation strategy.

In principle, every initiative could be valuable; it's not that for example hackathons by their nature don't deliver value. But if initiatives like hackathons are disconnected from the other initiatives and there's no clear link to value creation and culture change, that's when it becomes innovation theater.

Question Three: Where Does Innovation Live in Your Organization Chart?

Finally, the third question is where does innovation live in their organization chart?

Another way to frame the question is: how much time is their CEO spending on innovation? If the answer is anything less than 40%, it is likely the company is not going to truly get innovation. Alternatively, you can also have a dual org chart, with a Chief Entrepreneur at the same level as the CEO.

This is not necessarily about money but about power. In most organizations, innovation doesn't live at the very top of the management layer, and that's felt throughout the organization.

These three questions can help you discover on which end of the spectrum you are, with innovation theater on the one end, and invincible company on the other.

Who Should Be Asking These Three Questions?

Generally, the individuals that need to be asking these three questions are the board of the organization. It's not the innovation teams because the innovation teams do not influence these three questions. Rather, it's the board that hires and fires the CEO and sets the strategic agenda. As a result, if these questions are not answered at that level, nothing can be done since the CEO is not actually in charge of the organization.

Although the CEO would like to ask these three questions and get the answers they need, it does not always work out in their favor. Because if they start doing this with a very conservative and uninformed board, that has no clue what innovation is it can become career suicide for the CEO. As a result, these questions can only be answered at the board level and implemented by the CEO.

Are There Ways to Educate the Board?

The best way the board can get educated on innovation is to work with the innovation team. Most companies today already have innovation teams, where the heads of the teams meet regularly and report their findings to someone responsible for innovation, whom in turn reports to a senior functional leader (could be marketing, technology, IT and others) who then reports to the CEO.

However, most of these people responsible for innovation do not have the level of influence that is needed to improve innovation in the company. So as a result, these individuals need to start provoking conversations about this process internally that could rise up to the level where it reaches the board members.

One way that companies make this happen is through the process of bringing in outside thought leaders. However, even with these fantastic resources and the best intentions, the board may still not be swayed. And unfortunately, there may not be anything anyone can do about it.

Fundamentally, these companies need to remember that whether they get on board or not, the industry is going to change, and if they do not make enough changes on time, they can be left behind. That is why people in senior leadership roles and the board must understand what innovation can mean for them and what choices they need to start making today.

Between the Devil and… Locating a Venture Within an Established Organization

When you go about launching new things, the good news is that there are lots of choices of where to locate your efforts. The bad news is that there's no perfect choice. Rita McGrath, professor of management at Columbia Business school and founder of the innovation platform Valize, shares her thoughts on the 7 archetypes of innovation location in established businesses, and how to ensure success.

Rita McGrath
Professor at Columbia Business School

Every venture goes through at least three stages: ideation, incubation, and acceleration. While most might naturally locate the major challenge in the ideation phase, incubation and especially acceleration are often more significant obstacles when the core business threatens to dominate systems, processes, resource allocation, and rewards.

Seven innovation location archetypes exist to overcome these obstacles. While none is perfect, each offers unique advantages and disadvantages worthy of consideration.

Also, your ventures are likely to move around in terms of where they belong in the organisation as they mature, because different conditions are suitable for different kinds of businesses.

The 7 Archetypes of Innovation Location in an Established Business

Give the Innovation Challenge to a Line Manager

The path of least resistance certainly creates the least amount of chaos. But line managers tend to have other priorities, and in this structure, innovation tends to get lost. It's a good way to get started, but likely won't lead to business-changing innovation.

Create an Innovation Structure Within a Line Division

The new line division typically houses a few full-time employees, giving innovation the attention it demands. But this setup is still dependent on the core business; with a bad earnings quarter, attention and budget can shift away from the innovation division to more short-term initiatives.

Place the Venture Effort in R&D

Within R&D, innovation has the time and space to get its natural attention. But in many R&D divisions, incumbents focus on technology over customer needs, and the total separation from the core business can mean that new ideas cannot easily get integrated into the core.

Provide a Mandate to a Senior Staff Leader

That mandate, typically, focuses specifically on emerging business opportunities. Innovation projects and programs get folded into emerging business opportunities, forcing alignment between existing and new business. Each opportunity gets its own leader, and its own mandate, which can be effective but also takes significant management time, attention, and resources.

Create a New Ventures Division

Take the individual venture mandate, and apply it to the entire business structure, and you get a venture division. Here, innovation takes its rightful place alongside other parts of the core business, with a time and space to experiment on new ideas and ventures.

Create A Direct Reporting Line to the CEO

Skipping traditional hierarchies, this structure allows for fast decisions and cuts through much of the red tape potentially holding back innovation. However, it also falls prey to the CEO's whims; the leader of the company may either be too busy to prioritize innovation, or fall in love with their ventures enough to stop reason and data from guiding the incubation and acceleration stage.

Create An Agile Innovation Structure

The most recent archetype takes its lessons from agile software development. It's what Michael Sikorsky calls the Permissionless Organization, embraced by companies like Amazon and Netflix. Lots of small teams focus on specific elements of a challenge, swarming around to solve that element of a problem. That dedication and focus leads to a pinpointed solution that then gets integrated back into the core business.

Done right, each of these archetypes don't just drive innovation separate from the core business. They help to innovate the core itself, looking to potentially transform it for new business opportunities and audiences.

Managing Venture Portfolios for Optimal Success

Regardless of archetype, understanding how to manage portfolios is crucial to overarching organizational success. Especially in established organizations, it can be the key to achieving comprehensive innovation.

In that effort, the traditional method of timestamped horizons is starting to become outdated. Even a horizon 3 venture can go into the core business in a matter of weeks. Instead, it pays to prioritize based on uncertainty. Managing ventures through checkpoints can help to build a broad portfolio that allows for failure of some innovations while others can make it through successfully.

A good acronym to use at each checkpoint is "RACE". Ask whether you should redirect, accelerate, continue, or exit.

Leadership Structures to Support Innovation

The final innovation component in an established organization has to be leadership. Here, three roles have to interplay, each playing a role in creating the right conditions and environment for success:

Executives, who provide guidance on overarching direction, backing for a general innovation priority, and funding.

1. **Entrepreneurs,** who take ownership of the ventures and lead them from ideation to acceleration.
2. **Sherpas,** who use their organizational and social capital in the organization to guide the project in the background.
3. **Sherpas** play a crucial but underrated role in the process. They're pathfinders, worried not about getting credit but about the success of the venture on a daily basis.

It's difficult to overestimate just how important leadership is in this process. At their best, each of the three roles don't just focus on innovation, but bridge innovation efforts to impact and match the core business. In the process, they can remove natural antibodies to innovation and optimize its chances of adoption.

Entrepreneurial Growth: How Corporates Can Balance Vision & Capability For a New Era of Growth

Corporations that add new revenue lines outperform those that do not, yet many corporations are still struggling to add and scale new revenue lines. Innovation as such isn't the problem, though. Corporations tend to be good at identifying opportunities, says Rob Chapman, CEO of Founders Intelligence. The problem is that they're usually bad at scaling those opportunities to create growth.

How do organizations make sure they can both discover and scale new revenue opportunities in their market? They need to focus on creating entrepreneurial growth through a unified strategy that balances their vision with their capabilities.

Rob Chapman
CEO at Founders Intelligence

Vision

An organization's vision should be a set of principles that they can use to rethink their approach to growth. The vision should include their beliefs about the future, ambitious goals that require fundamental change, and an integrated process to adjust their vision based on learnings.

Organizations need to start their entrepreneurial growth framework by articulating their convictions about the future of their industry. This isn't just a new corporate strategy. In fact, a typical corporate strategy tends to be the enemy of innovation because it's backward thinking. It's written as a reaction to things that have happened in the past. Entrepreneurial growth requires the organization to be clear about what they believe will happen in the future. That point of view is fundamental to innovation success because it focuses resources and helps the organization build innovation activity around meeting future beliefs. It also allows an organization to deprioritize things that aren't moving it forward.

Once the beliefs are clear, organizations can use them to foster ambition. Organizations need to set goals that can't be achieved by maintaining the status quo. Otherwise, there is no incentive to change. People can hit their targets by doing what they did last year as long as they have a little luck and some market growth. If an organization is serious about innovating, they need to set ambitious goals that require fundamental change. These goals center on those core beliefs about the future and incentivize senior staff to change.

The final part of the vision requires an organization to create a feedback loop to improve its vision. Rob worked with a beauty company on creating a system within their corporate structure that mandated this feedback loop. The company had to update its core beliefs on a quarterly basis, based on new information from internal projects or outside sources. This formalized the learning process at a board level. It showed everyone the value of innovation projects, even when they don't work. Organizations need to have a structure that records those learnings and gives them value within the company.

Capability

To be capable, organizations need to find, nurture, and protect entrepreneurial talent. They need to create teams, processes, and governance that deliver growth. That should result in the creation of a balanced portfolio that responds to growth opportunities.

Capability starts with people because investors back people more than they back ideas. Of the people who left corporate positions to launch a start-up, 93% of them said they tried to bring their idea to their employer first. When talking to corporations, though, they don't believe they have the entrepreneurial talent in-house. They want to spend money on finding it elsewhere.

The truth is, organizations need to do both. They need to have a structure in place that can support someone with a great idea, whether they are internal or coming from an outside source. The organization needs to create a nurturing environment for those who want to build big new revenue lines.

Organizations need to create a structure in how they build teams and processes as well as within their governance. This creates strong mechanisms to bring ideas to market. The structure should start with a core belief about what needs to be delivered, and then making sure there are internal mechanisms to deliver it.

The innovation portfolio is also a key part of an organization's capability. The portfolio needs to balance time-to-market, risk, and ambition. It needs to also reflect the organization's beliefs about future growth opportunities in the market. The right set of projects should build on and align with core beliefs about the future. This can help the organization identify key areas of growth it may be missing out on, too.

How To Build A Future-Ready Organization?

Howard Yu is a professor of innovation and management at IMD. He considers the pandemic a stress test to see whether companies were future-ready or not. Companies need to look out for the next seismic event, prepare and be future-ready when it comes. How do you make that happen?

Howard Yu
LEGO Professor of Management and Innovation at IMD Business School

Part of the answer is to look at the brands that not only recovered quickly after the pandemic hit, but are doing better than before COVID-19. This is without taking into consideration brands like Apple or Amazon, which thrive online. The brands Howard looks at are traditional retailers. What is it about those brands that enable them to thrive while others fail? It has nothing to do with what they sell. Nike is doing very well, while Under Armour is underperforming. Target is exceeding expectations as Walmart is leveling out.

What do the companies that are thriving post-pandemic have in common?

All the companies that are thriving post-pandemic invested heavily in their digital transformation **before** the pandemic started. The underperforming companies failed to scale when it came to their digital transformation and failed to collect data from their customers in an organized way. Those who collected proper data were future-ready and had data to correctly predict what consumers would want and need.

Companies that want to be future-ready also have to place small bets in many future technologies as it's unclear which will succeed. However, companies need to choose a future technology and exploit it to get an advantage over competitors. For example, retail stores that stayed the course with mass marketing and standard products are failing, while those who took the leap and explored what would come next, personalized experiences and thrive.

What qualities allow companies to learn fast enough and experiment with enough ideas?

They reduce complexity to go fast. Most companies are organized like pyramids with a very rigid top-down structure. This structure, however, doesn't deal with change well. Even a tiny change can derail the system. So instead, organizations should be fluid like a flock of birds. Each team has extreme autonomy, and they can react to change quickly.

With a reduction in complexity, you need extreme transparency. Document everything openly and allow everyone to search for the data. There is no hidden information. Everyone has access to the data they need. Anyone can submit ideas on a company's policy, and everyone can see those ideas and choose to implement them for their teams.

Finally, they collaborate with disruptors. If the company doesn't have the future technology ready to go yet, they will partner with a company that does.

The Myths of Disruption: How Established Firms are Adapting to the Digital Age

It is not difficult to persuade people that disruption is happening because there is quite a bit of narrative out there on it. In fact, CEOs in every industry are worried about disruption. However, although most people think disruption is a big deal, it may not be as big of an issue as many tend to believe it is.

Julian Birkinshaw
Professor of Strategy and Entrepreneurship at London Business School

We suffer from a sort of neophilia, where we like to believe that right now is the time when everything is suddenly changing and that we are on the cusp of disruptive forces. However, the trouble with this is that we have been saying that for the last 10, 20, 30 years. And although there's always some truth to it, there's also an awful lot of hyperbole, which is overstated.

This is because the consequences of disruption have varied dramatically from one sector to another up to now. For instance, if you look at the established companies that have been wiped out versus continuing to dominate, there is a considerable spectrum of them. For example, the photography sector, with the likes of Polaroid and Kodak, has completely disappeared, and we have seen full-on disruption there. However, on the other hand, the retail banking industry is a much more nuanced story as today the industry looks almost exactly as it was 30 years ago, with some minor changes.

The Myths and Realities of Disruption

One disruption myth that keeps popping up is that digital technology disrupts every industry and that no industry is immune to it. However, some industries may actually be resistant to this disruption. In fact, full-on creative destruction has only occurred in three sectors. All the other sectors have remained relatively stable.

Another myth is that disruption happens relatively quickly. However, many of these disruptive trends take around 20 or 30 years to play out. For instance, it took the media industry about 20 to 30 years before it completely changed Blockbuster and Nokia, and yet, while there are some exceptions to this rule, such as Kodak, it still took almost 15 years before disruptions impacted that specific company.

Finally, the third myth surrounding these disruptions is that established firms are struggling to adapt. However, these types of stories are simply not true. The hard evidence is that established companies are showing themselves to be pretty good at reinventing themselves from within and employing a wide range of strategies to help them fight back and endure.

How To Respond To Potentially Disruptive Technologies?

Today, established companies are not only reinventing themselves amongst all this developing disruption, but as it turns out, there's a whole bunch of strategies they are using.

For example, one method these companies are adopting is using a separate business unit and putting a team of people in charge of fighting back against the disruptive technologies on their own terms. However, this is not always the best way for companies to respond. This is because not all new technologies behave the same way. There are many new technologies that co-exist with established technologies and are on a more gradual path of improvement. As a result, rather than this new technology becoming potentially disruptive, it is becoming potentially complementary to what companies are already doing.

That is why to deal with these disruptions, established companies have a whole portfolio of responses, meaning that sometimes they need to fight the disruptor, and sometimes they need to pull back. Consequently, if a business sees a potentially disruptive company, they can either fight back directly with their own separate business units doing exactly what they have been doing, or they can remind themselves what their core competencies were in the first place and see if they can double down on those existing strengths as a way of fighting back. In other words, the company will try to become even better at doing what they have been doing and, as a result, squeeze the insurgent company out so that they do not take much market share away from their business.

These two specific strategies refer to the offensive schemes that businesses use today against disruptions, but defensive techniques can also be applied. For example, companies can retrench or basically accept that this new technology is creating opportunities that, frankly, they can't compete directly against. Instead, they decide to defend themselves against this technology by consolidating, merging with rivals, cutting costs, or using lobbying and protectionism to keep those guys out. Or they try migrating away, which refers to the tactic of redeploying assets and money towards other opportunities because the company acknowledges they are not well-positioned for the future.

So although it may be tempting to always fight back against disruptions, there are numerous strategies (fighting back, doubling down, retrenching, and moving away) that companies can use to succeed in the long run.

It's All About Timing

When it comes to responding to disruptions and knowing what route you need to take, whether offense or defensive, the answer will often depend on the timing of these responses. In truth, many top executives indicate they are doing all of these strategies shown above, especially in the early stages of emerging technology, since early on, it is not apparent what the technology's commercial potential will be. However, to succeed in the long run, these companies will have to eventually make a choice of what they need to do and follow through with it, and this decision will often come down to timing.

Lead From the Future – How to Turn Visionary Thinking into Breakthrough Growth

Is a pandemic the wrong time for long-term thinking? Not for Mark W. Johnson, cofounder of Innosight. In fact, a long-term vision for innovation and growth becomes more important than ever.

Mark W. Johnson
Co-Founder and Senior Partner at Innosight

The key to success: just overcoming basic human nature. We're wired for short-term thinking, and that wiring has long resulted in a lack of prioritization for breakthrough, disruptive new growth efforts. Resources are allocated to the main business, while leadership focuses on immediate results.

That's a difficult process to overcome. But it's far from impossible. To sustain growth, long-term plans need to mesh with short-term plans, with a strong and actionable vision that translates into a strategy. That, in turn, leads to a process called "future back," optimized to turn vague but valuable visionary thinking into active, real, long-term growth.

How to Overcome the Natural Biases of Short-Term Thinking

Too often, leadership focuses on short-term thinking. Overcoming that bias is vital to building a more innovative, growth-oriented organization.

One way to overcome it: turning the vision statement into a story. Done correctly, this story brings your vision statement to life, providing clarity to the future goals of the organization. The story talks about what could and should be, translating directly into a strategy that helps you get there.

That starts with looking beyond the typical strategic horizon. Going further out than the traditional three or five years allows leadership to see future threats and potential declines, along with new opportunities that weren't apparent in a shorter-term vision. It helps to avoid growth plateaus or even declines that happen beyond the typical time frame, building towards sustainable growth instead.

Looking ten years out will not create a perfect picture. It will, however, create a more comprehensive point of view, with combined voices from leadership developing a type of impressionist painting that begins to see future possibilities and potential scenarios. It does, of course, require a more specific definition of what we typically think of as terms like "vision" and "strategy."

Vision vs. Strategy: What Do They Actually Mean?

What are the first things that come to mind when thinking about the terms vision and strategy? For most organizations, the answers will probably revolve around something beyond daily operations for the latter and a 1–2 sentence statement for the former. But in reality, an effective vision is far more than that. It's distinct from strategy, with a few vital characteristics:

- A vision should impact choices made related to the long-term future, at least five years out or more.
- A vision defines a potential "new game to play", like a new business opportunity, audience, or shift in organizational focus.
- A vision defines the destination of the company, the ideal endpoint at which it could (and should) be considered holistically successful.
- A vision inspires the entire organization to work towards that final destination.

Compare that with a strategy, which is more short-term focused, outlining how to win in the existing game or an already-defined new game. By defining the journey to the endpoint, it operationalizes the vision and begins to put it into action.

The Future-Back Approach to Innovation

It's easy to say that organizations should be forward-thinking. It's much more difficult to take that approach in a way that actually encourages and drives innovation.

Most organizations think of the future as a continuation of the present. They predict future trends based on current data, facts, and analytics, pointing towards clear solutions that build from the current status quo and base level.

That's an important approach, but it can't stand alone. Future-back thinking imagines not what is, but what could be. It's more imaginative and creative, and as a result more ambiguous and abstract, drawing a distinction from the present. Questions are kept open deliberately, while a clean sheet leads to more systems-oriented and discovery-based thinking. If leadership can spend even 10% on this mode of thinking, innovation becomes a more prominent part of the entire organization.

Of course, that requires full leadership buy-in. From the COE as the agenda-setter to the rest of the organization's leaders, everyone needs to carve out enough time to spend at least a little bit on long-term thinking every month, quarter, and year. .

Future-back thinking, then, is iterative learning. It's the ability to explore, envision, and discover as a continuum to identify new propellants and possibilities of where the organization can go, and what it can become. Continuing to review, ideate, address, and adjust the vision creates a more agile, dynamic system that always works to address the future, innovation, and growth.

Future-Back Thinking in Action: The Apple Success Story

Any story of innovation sooner or later mentions Apple. But there's a good reason for that. When the electronics giant faced a company-threatening crisis during the Dotcom bubble in the late 1990s, Steve Jobs gathered his top company leadership together and asked a simple question: what will our company, and our industry, look like in 10 years?

The result of this exercise was what we now know as Apple's Digital Hub. It envisioned Apple's computing technology company driving all types of new and emerging consumer electronics devices, turning existing core competency into a new type of business model, a new industry, and new audiences.

We all know the results. First came the iPod in 2001. That was followed by the iTunes Store

in 2003, which (especially once combined with the iPod) created a new business model entirely. Apple rounded out the decade with the iPhone in 2007 and the iPad in 2010, truly making good on its "Digital Hub" promise from ten years prior.

When Steve Jobs gathered his lieutenants to envision the future in 2000, they didn't come up with these products. But they did create a real, actionable vision that every major innovation in the years that followed could point back to. Keeping that vision in front of them allowed every level of the company to innovate, remain focused, and avoid getting distracted by the short-term.

Actions and Learnings to Increase Innovation Impact and Speed to Market

Alexa Dembek is DuPont's Chief Technology and Sustainability Officer. DuPont is a legacy company that's been around for more than 200 years, and they've been around that long because they know how to pivot and stay relevant for what's needed in the future. They have a constantly changing portfolio and capabilities to innovate for what's coming next.

Alexa Dembek
Chief Technology and Sustainability Officer at Dupont

By thinking about innovation holistically, DuPont not only considers how to increase the impact of their investments but also how to do it quickly while staying aligned with their mission. Innovation isn't just about delivering new products, either. It's about developing new applications, new business models, new processes, and incorporating digital solutions. Not only does this solve customer problems, but it helps DuPont tackle its own sustainability challenges.

So how did they put innovation at the forefront of their mission and start increasing their impact?

DuPont's Transformation Journey

DuPont went on a journey to create an innovation portfolio that's multi-industrial and drives what they believe matters. The decision to start the innovation journey began when it was clear that the pathway they were on wasn't delivering enough top-line growth, bottom-line growth, or return on their invested capital. Until they could get those financial perspectives right, they needed to keep making changes. Those changes required innovation because innovation is the driver for growth.

While the innovation journey started in 2016, it still continues today. DuPont is perpetually pursuing and improving innovation, taking on the innovator's mindset that it's never good enough and asking what more they can do. They ask themselves how they can get faster, looking for areas of opportunity, and challenge themselves to think about what's holding them back.

Of course, there are always detractors when it comes to innovation. One of the biggest detractors on DuPont's innovation journey came in the form of nostalgia. Alexa says that there are always going to be people who say, "This isn't the way we do things around here."

Innovation requires a cultural change. There has to be a willingness to change the way you work if you are going to deliver on the purpose of the company and make a difference in people's lives. Get people to stop looking in the rear-view mirror and thinking about the good old days. Those days are over, and now it's time to look forward. Don't let nostalgia be a reason not to change.

Platforms for Innovation

DuPont has three businesses, each of them making about $5 billion in revenue annually. They have a traditional structure, with a business president who owns the short-term and long-term results. But Alexa says you can't believe the way you've structured a company aligns well with the way the markets work. To align innovation more directly with the market, DuPont set up innovation platforms.

The innovation platforms target growth areas where DuPont needs to invest for the future. They start the platform by looking at an important problem that needs solving which aligns with the enterprises' capabilities and current market growth. A sponsor team made up of members from each of the businesses guides the platform's investments. They decide when to ramp up, double down, or shut it down. It's an organizational design that's fast and responsive and allows them to look at innovations holistically. It isn't limited by the current definition of the business.

The trick to a company as large as DuPont is knowing how to take advantage of its scale and breadth while still being agile. These innovation platforms are part of that solution.

Portfolio Management

DuPont adopts a core-adjacent model when choosing where to invest. They protect the core of the business with sufficient investment. There is no need to invest in innovation because these core areas aren't going to grow. DuPont's goal is to provide a sufficient level of investment and then drive productivity in the core business.

Adjacent businesses, however, should be a place of double-digit growth opportunities. This isn't about productivity, but about having a growth mindset. Adjacent businesses don't need a five-year plan. They need to look at what's happening in the next three months. They need to be thinking about the next experiment and whether they have the capability to bring innovation to the market.

DuPont is intentional about choosing where to extend their current business. They are mindful about where they elect to participate and what problems they want to solve. Businesses can keep it simple by asking what problem they are solving, whether it's investable, and if they have what it takes to make it happen. If you do, go for it. If you don't, stop.

Innovation has to extend from the core business into an area where DuPont can be relevant. This idea plays into portfolio management, too. Portfolios can't be static. DuPont's portfolio doesn't look anything like it did 20 years ago, let alone 200 years ago. Portfolios need to be constantly reinvested and changing to stay relevant.

Be(come)ing Ambidextrous: What Works and What Doesn't

Much has been written (and argued) about "the Ambidextrous Organization" since the early 2000's when Charles O'Reilly and Michael Tushman found that ambidextrous organizations were significantly more successful in launching breakthrough products or services.

The idea makes perfect sense: ambidextrous organizations separate their new, exploratory units from their traditional, exploitative ones, allowing for different processes, structures, and cultures; at the same time, they maintain tight links across units at the senior executive level.

Yet is reality keeping up with the original idea? Are we indeed seeing better outcomes when innovation is structured with separate "units" for exploration vs exploitation?

Here's what Tim Kidd (then Innovation Excellence Lead at DSM), Line Lyst (Chief Entrepreneur at GN Group) and Bernd Zimmermann (then Global Head of Organization Development and Innovation at Siemens Healthineers) discussed.

> *Ambidexterity is especially relevant to businesses that need to find a future competitive advantage while optimizing their current business at the same time.*

Tim Kidd, Line Lyst & Bernd Zimmermann
(formerly) DSM / GN Group /
(formerly) Siemens Healthineers

> *What are some of the specific challenges that made your companies pursue ambidexterity?*

Bernd: We got involved with ambidexterity while learning how to cope with dualities. We don't have a separate innovation lab, but we're trying to manage the present and the future within the same company.

Line: We see seismic changes in the market both in terms of new technologies like Artificial Intelligence as well as new players entering our domain. At the same time we have an existing business that greatly benefits from these new technologies.

Tim: We're looking at transformative innovation and how to apply tools, practices, and mindsets from being an ambidextrous organization back to the business units. We wanted to build an organizational structure that was able to think beyond the core. That was the transformational driver; to turn it into a profession and not a single campaign.

Describe how you manage the balance of exploration and exploitation?

Tim: We have business groups with their own innovation units. Those units look to exploit and grow the core with incremental innovation while looking for adjacencies. Within the innovation center, we set up an incubation center and a venturing arm for investment in outside innovations.

Bernd: We don't have structural ambidexterity, but a conceptual one where all employees are encouraged to innovate and optimize. If you divide innovation from the rest of the organization, you create a two-class system. We want to be a cohesive family. We foster innovative actions through leadership.

Line: At GN, we aim to transform the existing business with the business. That is why VentureWorks (our innovation unit) is located inside the company and we work closely together with people across the company. That helps to ensure the innovations flow back into the mothership.

How do you protect initiatives?

Bernd: We founded T Club, a transformation club, where in-company innovators can protect and support each other on a community level. There has to be a discussion about who has value to the company, too. Innovators are often treated as heroes, but the execution teams have important value to the company, too. If a company can encourage valuing each other, then protection shouldn't be an issue.

Line: Innovation teams need protection, both in terms of funding, how they work, and how they are organized. That is why we have established a unit to provide space for that. Equally, once innovations get back into the business, there need to be structures in place to make sure they aren't squashed by the company.

Tim: It's not us versus them. It's about delivering value for the company.

Is it becoming difficult to maintain that separation as there is more pressure in the core businesses to innovate?

Tim: There is a lot more pressure. At DSM, we're looking at how to help the core businesses innovate their capabilities in adjacent markets. While every innovator understands the challenge of uncertainty, we're helping the running businesses learn to embrace it.

Line: The biggest challenge comes from getting enough resources. Not money, but people. People already have a full calendar from working in the core business. So when you want to do new stuff on top of that, something either has to go or you need more people. There is a big machine in the core business that needs to continue running at the same time.

Is it challenging to find enough people with an entrepreneurial mindset within a corporate environment?

Bernd: Both intrapreneurs and entrepreneurs have great qualities and skills that the other doesn't have. If people want to do something, they'll find a way to make it happen. If you make the story interesting enough, people will support you. We offer innovation training that focuses on design thinking, storytelling, and business model innovation. That way people can talk about the business side and not just the invention.

Line: Some people don't have what it takes. When you work with innovation, there are a lot of uncertainties and risks, and you need to work in a different way than you are used to. Some people simply don't thrive in that type of environment. In general though, I have always found there are more people with an entrepreneurial mindset than there is room for.

Tim: In an organization as large as DSM, you are going to find entrepreneurs. The key is you need to support them. Encourage them with the freedom to experiment and test. You can try to hire entrepreneurs, but if they aren't used to corporate life it's a good way to kill them. That's the benefit of having an intrapreneur; they understand the corporate culture but have an entrepreneurial mindset.

> *What were your key learnings for making innovation successful?*

Line: It's fundamental to have the entire c-suite onboard, and be aligned with their strategic direction. You might have the c-suite saying they want disruption, but if you probe, you'll find that they really want to stay close to the core business. Also, once you have the resources in place, the most important part to become successful is speed to revenue. No matter how much support you have from the c-suite – before a year has passed they'll be asking about results. The faster you can show results, the better.

Tim: Have a strong purpose behind your innovation culture and mindset. Apply what you preach and learn fast. It might feel like failing fast, but it's only a failure if you don't learn from it. Having that mindset and culture is as important as having c-suite support.

Bernd: You don't need less leadership, you need different leadership. Foster de-learning biases as a corporation and as an individual. Be okay with having a fluid identity, because you'll change over time. Have a strong purpose and manage the tension that comes from duality. That duality can be joyful, not necessarily stressful.

ING Neo: How to Create an Innovation Enabled Organization

What does centralized innovation look like at a major financial institution? According to Lieven Haesaert, Global Lead of Innovation Transformation and Management at ING, it looks a lot like the unit he belongs to: ING Neo. He offers a relevant case study for any business looking to centralize their innovation efforts.

Lieven Haesaert
Global Lead Innovation Transformation & Management at ING

Known globally as a pioneer in direct banking, ING is no stranger to innovation in its industry. And yet, in 2020, it realized the need to make innovation a more central part of its business model. The result: ING Neo, a business unit focused specifically on disruption and new business models independently of the core banking unit.

ING Neo reports directly to the CEO. Separate from the traditional org chart, it can influence innovation across the entire organization, including influencing the core bank to change over time. It's the combination of all innovation activities across ING into a single area looking towards the long-term horizon. It's in service of the bank's core goals, to provide the business with the right tools, the right capabilities, and the right help in local unit setups to allow for incremental improvements, ongoing business transformation and disruptive innovation.

In service of that goal, ING Neo helps to manage 4 core innovation-related functions:

1. Traditional innovation labs that find customer problems, and innovative solutions to these problems.

2. A Ventures team that looks for investments in innovative FinTech companies as a minority stakeholder.

3. An active FinTech scouting team to bring innovative solutions to the core business.

4. Innovation culture within the core bank, leveraging incremental innovation within each department.

In total, ING Neo is home to about 150–200 employees within the 57,000-strong larger organization.

3 Reasons Behind ING's Central Innovation Model

Before the creation of ING Neo, innovation was not a foreign concept to the business. And yet, leadership realized the need for an enhanced innovation model because of three key, common challenges it kept encountering:

1. Short-term vs. long-term approaches

Every company faces an inherent tension between short-term horizons, between one and three years into the future, and horizons that lead beyond that. At ING, it was the three-to-ten year horizon that was especially challenging.

A Chief Innovation Office was already in place, but this was a staff department that needed to rely too much on the quarterly cycle of the core business to fund disruptive innovation. In turn, initiatives were frequently cut mid-flight in favor of short-term goals. This resulted in a stop-go effect that ultimately is harmful for an impactful innovation effort. Splitting innovation into a separate, autonomous unit is to allow for a stronger, more consistent focus on the long term

2. Innovation efforts spread too thinly across the organization

At ING, -the credo is that innovation is everyone's job - which mainly pertains to the day-to-day incremental innovation. However when it is about disruptive innovation efforts, The standing business often lacks the dedicated attention, resources, governance and incentives to focus on the long-term or deal with the uncertainties inherent to disruptive innovation efforts.

In addition, conducting innovation experiments was highly dependent on a myriad of other functions and policies

throughout the bank, such as IT, Risk, HR, Finance, Procurement.... In many instances, supporting the innovation experiments was e at its best an additional task in magic time and at its worst “noise” that one rather not deal with. ING Neo offers the opportunity for a true, cross-departmental innovation focus, pooling innovation resources and support functions to create true oversight and an overarching consistent framework for success.

3. Difficulties scaling innovation initiatives
Finally, innovation takes time. The pre-scale phase alone can take two years or more, and moving further presented an organizational challenge. ING’s innovation governance and organisational set-up prescribed that initiatives that graduated successfully from ING’s Innovation Labs had to be handed over to the standing business organisation. Doing this at such an early stage, these initiatives then faced the risk of early deprioritization - as not yet mature enough to contribute to the bottom-line - or scaling it prematurely, leading to deceiving results.

The ING Neo set-up allows initiatives to mature within a ring-fenced environment until they deliver sustained impact and can truly scale. ING Neo therefore covers for the full innovation cycle - truly understanding customer problems, taking the time to validate potential ideas, pilot and scale the solution.

How ING Neo Influences the Core Business

ING Neo might be decoupled from everyday processes, but its interactions with the core bank are still vital. Every effort ultimately needs to be connected to the core bank, designed to help customers improve their lives and experiences with new and improved products and services.

For ING Neo, that means leveraging people from the core bank in the process. They become experts or sponsors, continuously challenging potential solutions to help build propositions that will actually succeed.

Measuring Innovation at ING Neo

Barely a year into the new set-up, and given the time horizon in question, measuring success at ING Neo is not yet an absolute. The team does, however, check itself against a few core variables to help it determine the success of this endeavor and any individual innovations:

1. What are the positive effects that customers perceive in any innovations already put into market?

2. How are we successful in driving innovation across the business? This includes asking pertinent questions to employees about their perception of ING as an innovative company, etc.

3. Have we made innovation a repeatable capability, an engine that can deal with new uncertainties in the future?

Beyond these more general questions, Neo teams also look at traditional effort vs. output metrics, number of IDs in the funnel, and other tactical numbers designed to focus on only the most effective innovations with highest ROI potential, and do so in an efficient way.

Initial Indicators of Success

While much is still to be learned from ING’s business innovation model, early indications are positive. The unit has been able to let initiatives scale in a proper, ring fenced environment, and working at the ING

Neo shop has become a popular spot for employees across the larger business.

That all of this has been accomplished in the midst of the COVID-19 pandemic is not just a tribute to the team, but to a business model increasingly relevant across industries and organizations: separating innovation from regular business processes to give it the emphasis and priority it deserves to thrive while safeguarding the connection and cross-fertilisation with the core business.

5 Lessons From Building Scalable And Sustainable Innovation Capabilities

Even the best intentions don't matter much in the innovation process. Especially at large and established organizations, scalability and sustainability is key for innovative ideas to make a tangible business impact. Jonathan Bertfield, Senior Faculty at Lean Startup Co., shares his lessons from working with major players like the National Security Agency, MasterCard, and Cargill.

Jonathan Bertfield
Senior Faculty at
Lean Startup Co

Lesson #1: How You Start Your Journey Will Likely Not Be How You End It

Organizations like MasterCard, Cargill, and the NSA have very different organization goals. But their journey, in many ways, is actually surprisingly similar. For instance, they all share twists in the road, amending the roadmap even as it's being planned and executed.

In that way, the innovation journey to scalability and sustainability is surprisingly similar to the Lean Startup method of product development. The focus is not on a method that's set in stone, but on learnings that can lead to better prototypes, and better products. Similarly, the innovation journey can be improved and optimized based on learnings along the way, optimizing or changing tracks continually as needed.

This lesson is evident at the NSA, a huge organization looking to become more agile and responsive amidst the forces typically slowing down a bureaucratic organization such as this. A first attempt at becoming more agile through 3D printing prototypes to get around procurement led to random innovations that didn't actually match the organization's larger purpose and goals. So, instead, the journey shifted to teaching an innovation mindset, teaching managers and employees "how to fish".

That process again fell short when managers didn't buy in within the legacy hierarchical structure, leading to another shift. Now, department leaders were brought in as partners to build buy-in, with an emphasis on solving organization-wide problems. Continuous shifts of the innovation process, based on learnings of what didn't work, eventually led to a process that has begun to reach the NSA's innovation goal of enterprise-wide agility.

Lesson #2: At Each Stage Of The Journey, You Should Be Looking For Impact

Even though innovation is a long-term process, it isn't enough to simply look for long-term, revenue-related lagging indicators of change. Short-term wins at every stage of the innovation journey can help even the most hesitant managers and leaders buy into the benefits of a more innovative process.

This became especially relevant for Tektronix, is a measurement insight company that designs and manufactures hardware parts for routers and other computer and machine peripherals. Its products need to perform up to and above high standards to avoid knock-on effects on the supply chain.

To get there, Tektronix built specific KPIs and impact metrics for every step of its innovation journey:

- When optimizing its resources, it measured the amount of engineers shifted to more R&D programs.
- When developing new ideas, it measured the number of ideas in its pipeline.
- When installing a growth board, it measured metered funding based on evidence along with alignment to the business strategy.
- When building internal capabilities, it measured the number of participants in its new growth accelerator.
- When looking to scale its accelerator programs, it managed both its teams and its kill rate and time to rationalize investments and priorities.

Each KPI is in service of a larger goal. But each also supports that specific step in the journey, resulting in vital buy-in from every stakeholder.

Lesson #3: Strategic Alignment Is Non-Negotiable

In other words, every innovation has to connect to the broader business strategy. In a silo, even the best ideas run into trouble. If an opportunity emerges through an innovation pipeline, but no one is interested in funding it as part of the core business, it likely still won't succeed.

This became evident at Cargill, a global food production and service company that with its $114 billion annual revenue is the largest privately held corporation in the U.S.

Cargill succeeded in an attempt to build more digital capacity specifically because it embraced the concept of strategic alignment. Funding came from across the organization, and the innovation focus was broad enough to encompass all of these areas. A growth board, consisting of leaders from the different businesses along with c-suite members, was all put through a comprehensive training program to get them up to speed.

The result was a continuous pipeline of products emerging from initial problems and ideas, but they still required significant funding. As a solution, Cargill began to think of alignment at the earliest part of the process, moving through only ideas that truly aligned with business goals to avoid investments in promising but ultimately irrelevant innovations later on.

Lesson #4: Break Silos And Push Decision-Making As Low As Possible

Silos make it hard to make decisions. A bottleneck of senior leadership has to break through, which reduces ownership. At MasterCard, innovation was governed by one large committee, only meeting quarterly and leaving little time to decide whether an innovation opportunity was worth moving forward.

The shift to growth boards here proved especially fruitful because it avoided a problem of perception, where presenting and getting rejected on unproven ideas could be career enders for employees.

Thanks to growth boards and the opportunity to evaluate ideas and move them through a series of stages, along with consistent coaching and customer evaluation, that mindset began to shift. It removed the risk, leadership became accountable, and more sessions meant more room for potential new innovations to breathe.

Lesson #5: Understand What Success Looks Like For You

There is no single measure of innovation success. Instead, it differs by culture, industry, and individual situation. Defining that success is a vital part of making the innovation journey scalable and repeatable.

For Tektronix, that meant understanding exactly how to reduce risk before a product could be manufactured. The company now pushes new ideas through three different gates, allowing them to allocate funding based on that evidence. Success depends on both quality validation and funnel velocity, using KPIs to measure real opportunity and traction.

One benefit of those metrics is being able to say no. That allowed Tektronix the ability to dedicate its human resources on fewer but more worthwhile projects that are truly strategically aligned, allowing more time for training and true success. Measuring what's critical to them has allowed Tektronix to embrace the entire process of innovation more fully across all levels of the organization.

The Eight Essentials of Innovation Revisited and Turned into Innovation Practices

A lot of companies reacted to the COVID pandemic by hitting pause on their innovation efforts. That pause, though, could be a big mistake for them in the long run.

Morten Benn
Partner at NOSCO

A study by McKinsey showed that businesses with a high commitment to innovation performed 2.4x better than their competitors. There is evidence that more innovative companies recover from times of financial hardship faster, too. Organizations should consider maintaining – or even increasing – their commitment to innovation if they want to build sustainable profitability.

During McKinsey's landmark study on innovation, the research group identified eight essential practices that led to growth in organizations. These were:

1. **Aspire:** regarding innovation as critical and setting goals that drive the organization toward it
2. **Choose:** building a time-risk balanced portfolio of initiatives in line with aspirations
3. **Discover:** having actionable insights that can translate into new profit centers
4. **Evolve:** turning those ideas into new products or services
5. **Accelerate:** launching new ideas quickly and effectively
6. **Scale:** building a business from a new product or service that is scalable and replicable
7. **Extend:** capitalizing on an external network of partners to bring new ideas to market
8. **Mobilize:** creating a culture of innovation internally that's constantly generating new ideas

Companies that master at least five of these practices tend to outperform their competition, according to McKinsey. And while all the practices are important, says Morten Been, Partner at NOSCO, "Aspiration" is the best place to start. By taking the practice of Aspiration seriously, an organization can create a strong framework to guide the rest of the innovation process. When you know what the goal is, you can identify clear action and create a commitment to meaningful funding.

One of the primary issues in organizations today is that they view a lack of internal innovation as a lack of ideas. In reality, it's a resource allocation issue. Ideas are easier to come by when you have a clear direction, and that creates a focus for resource allocation and management backing.

Once an organization identifies its aspirations, it can turn them into quantifiable targets. This ties innovation to the overall strategy within the organization, and the targets can then be used to create a strategic roadmap. Next, the

executive team will want to use the targets to develop specific KPIs for the innovation team. Some of the KPIs they've seen yield strong results for organizations include:

- Establishing an incubation zone that's continuously fed with new ideas to explore.
- Establishing responsibility for a portfolio of ideas.
- Supporting innovation culture and growing innovation capabilities across the organization.

While the innovation team may bear the responsibility of meeting the KPIs, business unit leaders should share some of the responsibility. After all, they will be managing the implementation and acceleration of ideas coming from the team.

Once goals and KPIs are in place, it's a matter of ensuring the organization is choosing the right projects to execute. That means after Aspire, Choose is the most important practice on McKinsey's list. The two are also very closely linked. Organizations need to select innovative opportunities with direct ties to their aspirations. If you don't, it's difficult to get meaningful funding to move an idea through the innovation process.

Choosing the right ideas is about much more than luck. Organizations need to set up a process and internal culture that delivers new ideas to the portfolio that are in line with aspirational goals. The practice of choosing is about creating a time-risk balanced portfolio that raises the probability of choosing the right ideas and providing sufficient funding to make them a success.

Creating a time-risk balanced portfolio gives an organization an opportunity to succeed in both the short and long term. They also allow the company to focus on both core and disruptive innovation efforts, or "easy wins" and "moonshots." Morten recommends following the three horizon model and creating a strong foundation for the portfolio through executive commitment.

Morten also recommends using the eight practices as a guideline for constantly and consistently improving the innovation process within the company. It's like a muscle, he says. The more you use the eight practices, the stronger your organization gets at innovation as a whole. That's when you can start to see the payoff McKinsey found happening in other innovative organizations.

5 Mistakes That Are Killing Your Innovation Outcomes

Opposite to the opening sentence in Leo Tolstoy's novel Anna Karenina -happy families are all alike; every unhappy family is unhappy in its own way- over the last years, Ahi Gvirtsman, co-founder at Spyre Group and former Vice President at HP, has seen that organizations that are unhappy with their innovation performance are very similar.

Ahi Gvirtsman
Co-Founder at Spyre Group

Regardless of what industry you are in, what your goals for innovation are, and how you are going about achieving those goals, common bottlenecks may be squeezing the life out of your innovation initiatives without you knowing it.

Zooming in on what makes these companies unhappy with their performance, Ahi shares five common mistakes that they often make (and what to do to overcome them).

#1 Valuing Opinions Over Evidence

When exploring a new opportunity (such as an idea or product), many organizations go directly to the proof of concept stage to check if they can build it, after making a selection decision. However, this is costly, as it limits the number of opportunities they will have. It also greatly limits the portfolio size.

The alternative is to divide the proof of concept into two steps. The first step is to run experiments to validate the hypothesis for the opportunity. The next step is to ask the questions "Should we build it?" and "Will anyone care?"

By going through the proof of concept first, we become prisoners of people's opinions. But if we take the two-step process, then we create evidence that proves the idea can be successful.

#2 Failing Scarcely vs. Daring Greatly

When a company begins the innovation process, it is natural to want to "test the waters" – to not risk a lot. However, this is not the best solution. Taking on more risky projects equals taking on less risk overall. The more projects you have in your portfolio, the fewer failures you will likely have. This doesn't mean that some projects won't fail; however, it increases the likelihood of your projects becoming successful.

A reasonable amount of current projects in your portfolio at any given time is about three to five. Limiting your portfolio size means having a higher failure risk overall. If you don't try enough projects, your chance of success becomes less for the innovation you want to achieve. The point is to experiment through projects to help increase your portfolio success.

#3 "Being Right" Over "Doing Right Now"

Executives are typically the ones who make the final decisions about innovation opportunities. They have to look at the data from your experiments and decide if it's a good fit for the company. Even if you think you're right, it doesn't really matter in the end.

As innovators we need to work with executives to make sure that they are on board from the start. As such, it's best to find executives that are committed to the process and the outcome, and then to give them control.

#4 Premature Executive Evaluation

There are two approaches to selection in the innovation process – and one is definitively better for innovation teams to adopt.

In the "Engineer Approach" there are four steps.

1. Submit an opportunity
2. Select the most favorable one
3. Test it
4. Build it

The problem with this approach is that this process creates a higher risk as well as a higher cost of making a mistake. If you choose the wrong selection, you have a higher cost of failure overall. In order to lower the cost

of failure in this process, you would need to bring in more experts and to request more detailed opportunity submissions before choosing a selection.

In the "Entrepreneurial Approach", there are five key steps:

1. Submit an opportunity
2. First selection – consider an experiment
3. Risk Mitigation – a cycle of experimenting, measuring, and learning of possible selections
4. Second selection – make a decision
5. Build it

In this approach, the first part of selection creates a lower cost of error; and the second part of selection then creates a higher cost of error with a lower risk.

The second approach helps you gain evidence to show the chosen selection works, similar to what VC's do. Think about selection as a multi-stage process, not as something that needs to be completed in a short time span.

#5 Not Measuring (The Right Things)

You need to measure the right things. Here are three key performance indicators that should be measured:

1. **Action KPI's:** The things that you do. For example the number of evaluated startups. By themselves, these are typically vanity metrics.

2. **Progress KPI's:** Helping to understand if you are getting closer to your outcomes. For example, the number of executive sponsored experiments.

3. **Outcome KPI:** What your executive team expects you deliver. For example revenue generated.

If you want your innovation programs to be sustainable, then you need to generate outcomes that are measurable and that affect KPIs which your executive team cares deeply about. Only if you generate outcomes, innovation will be regarded as a business process, just like every other process in the company.

Overcoming the Innovator's Paradox: How to Win Resources and Support for Innovative Ideas

When we search for sponsors for our newest project or venture, they will typically ask for more tests and will want us to reduce the surrounding uncertainty before they decide to commit.

Jeff Dyer
Author & Co-founder at Innovator's DNA

However, this creates a paradox because we need the resources to do the testing and validation these sponsors want in order for them to sponsor us, but yet we can't get

the resources before doing the testing and validation. Jeff Dyer, Professor of Strategy at BYU & Wharton and author of The Innovator's DNA, suggests how to overcome this "innovator's paradox".

Innovation Capital

The only way to escape this paradox is through building "innovation capital." Typically, there are three major reasons why a sponsor will want to support you:

1. **Human Capital:** These sponsors know you as a forward thinker and believe in your intrinsic abilities.

2. **Social Capital:** These sponsors know you, and you have existing relationships with them.

3. **Reputation Capital:** These sponsors do not know you, but they know you already have a track record of successful innovation.

In terms of the human capital factor, it is crucial to be forward-thinking. People who can look into the future and engage in "mental time travel" and see what problems need to be solved now in order to lead in the future can use this thinking to persuade others, which can become an important key to influencing them.

For instance, the current CEO of Microsoft, Satya Nadella, engaged in mental time travel and asked, "what will be important for Microsoft's future?" Back then, the company made its living off consumer products such as Microsoft Office and Windows operating system. Yet, he still decided to join an unpopular service which we now called the Cloud, because he thought it would one day be important. As a result of his forward thinking, he eventually became Microsoft's CEO.

That is why, even if you do not have a track record, but all you have are the ideas, there are still strategies you can use to gain attention, visibility, and credibility. But, more importantly, they can also be used as ways to better explain radically new concepts so that the value can be clearly seen by those who can advance them.

Impression Amplifiers: Actions to Gain Credibility, Visibility, and Attention

Impression amplifiers are actions often used by entrepreneurs and young innovators to persuade others to believe in them and their idea, even when they do not have the capital. These amplifiers include the following:

Comparing

The first amplifier is called comparing, which involves drawing a relevant analogy or metaphor between your idea and a familiar and successful concept. This amplifier works because it exploits our tendency to use mental heuristics to shortcut complex thought processes.

Storytelling

The second amplifier is referred to as storytelling which creates a compelling narrative with characters, conflict, and a resolution. Basically, storytelling invites people to your cause by connecting them with it emotionally, and since all people are drawn to well-told stories, it allows them to engage their imagination and helps increase their empathy for others. As a result, the ability to tell a good story is one way to bring sponsors to support your idea or venture.

Signaling

Signaling, or the third amplifier, aims to prove to its supporters that what you're doing is legitimate and that others believe in you. This amplifier works because of the "bandwagon

effect," which uses the idea that others affect our behavior, meaning that other people's decisions navigate our lives.

Social Pressure

The fourth amplifier is called social pressure. This strategy is known for creating a fear of missing out or FOMO and helping spur commitment from those who worry that they may lose out on an opportunity if they don't act quickly. It works similarly to the psychological principles tied to scarcity.

Committing

The fifth amplifier is known as committing. Committing involves making an irreversible commitment to an idea or a project that signals to potential supporters that you believe in an idea or project so much that you are willing to put your own skin in the game. Committing often works because by putting everything on the line, you are showing to your sponsors how much you care, and by extension, how much effort you will put into achieving success.

Materializing

The sixth amplifier is materializing, which involves making an abstract idea visible or tangible through videos, drawings, data, or graphic representation. It works because this technique involves the "seeing is believing" principle, which refers to how human brains are systematically biased to believe in tangible, visible artifacts over abstract ideas.

Although using the above impression amplifiers for developing and selling an innovative concept is hard work, they are still a great way to convince sponsors to support your idea and help win support for ideas that are quite novel and perceived as risky.

How To Overcome Resistance To Change

Greg Satell, author of Cascades: How to Create a Movement That Drives Transformative Change, says that we assume that if a change fails, it's because people didn't understand it.

Greg Satell
International Keynote Speaker, Adviser & Bestselling Author of Cascades

The truth is, all too often, when change fails it's been actively sabotaged. If a change is important and has the potential to impact people, there are always going to be some people who work to undermine it. If we want transformational change, we need to learn to overcome that resistance.

Radical transformational change is possible, but we have to know how to go about it. Here are Greg's four principles of transformational change.

1. Anatomy of a Cascade

Small groups that are loosely connected but united by a shared purpose are what drive cascading transformations. It's the same whether it's an internet meme or a political revolution.

But that's very different from what change consultants say, who often claim that

change needs to start with a big bang and a sense of urgency. While that can rally people to your cause, it also works to rally the opposition. You are better off empowering smaller groups to be successful and connecting them with like-minded others, then united them with a shared mission.

2. Identifying A Keystone Change

Every change starts with a grievance. This was true in India, where Indians wanted full independence from Great Britain. Gandhi understood that to achieve that, they needed something that would bridge the gap between the grievance and their ultimate vision of independence. So when Gandhi first announced he was going to march against the salt laws, people ridiculed him. They wanted independence, and he wanted to march against pesky salt laws. But those salt laws were a keystone change that would fuel the rest of the transformation that needed to happen.

A keystone change has three criteria:

- Must have a clear and tangible goal
- Involves multiple stakeholders
- Paves the way for future change

Gandhi saw how the keystone change of marching against the salt laws was a tangible goal that involved multiple stakeholders. Abolishing these laws would pave the way for future change in the country. It would become one of his greatest triumphs.

3. Making a Plan

There are two tools used in making a plan for change that have been battle-tested for decades. Social and political activists use them, but they work just as well in an organizational or corporate environment. They are:

Spectrum of allies. Just like a general would map out the terrain of a military battle, change-makers need to map out their allies. Identify who your most active allies are, along with your passive allies, neutral parties, and the passively and actively opposed. Then identify what the shared values are that this spectrum of allies shares. Then stop engaging with your active opposition. If you leave them alone while you are gaining traction, more often than not they will lash out and end up sending people your way by discrediting themselves. And while you shouldn't engage with them, you should listen to them. They can point out flaws in your ideas that you can then fix. You can also start to adopt their verbiage into a shared value statement that helps bring more people to your side.

Pillars of support. Imagine there is an all-powerful dictator, but suddenly all the janitors decide not to come into work anymore. Now that all-powerful dictator is powerless to get the trash picked up. Every regime or status quo depends on institutions to carry out its will. If you want real change, you have to identify those institutions that offer pillars of support, then influence them over to your side. These institutions in a corporate environment might be things like unions, media, suppliers, shareholders, or professional groups.

When making plans and designing tactics for change, you want to think about mobilizing your spectrum of allies to influence institutions in the pillars of support. Ask yourself, "Who am I mobilizing to influence what?" in every action you take.

4. Surviving Victory

Start thinking about how you are going to survive victory from the first day. That's because the initial victory phase is the most dangerous, and it's where revolutions go to die. We think that once we get the

initial victory, everything will become easier afterward. Often, though, once the initial victory happens, it becomes a lot harder to keep moving forward. That's because the people who hated the idea never went away, and now the opposition is redoubling their efforts because it looks like change is a possibility.

Ask yourself these three questions to develop a plan to survive victory:

- How would an evil person undermine the change you seek?
- What are the vulnerabilities of your change effort?
- How could you appeal to shared values to overcome the opposition?
- Anticipate what they might do, where they might attack you, and then how you are going to counter it. Because it will happen.

A Corporate Innovator's Story: How I Went to the Outer Rim and Back

One of the key lessons for corporate innovators is the ability to influence decision-making by translating ideas from imagination to reality. If you lose this, you are basically telling the team that even though you know how it may be done, and that's the future you are striving for, you will never be able to make it work.

Florian Bankoley
Executive Vice President – Business Interface at Bosch

That is why for this type of innovation to work, it has to be about translating this process from start to finish. As a result, there are three things that can influence innovation, as Florian Bankoley, Executive Vice President – Global Information Systems & Services at Bosch, experienced

1. The Importance of Culture and Processes

This first aspect refers to how strong a company's culture is and how strong this culture is reflected in their decision-making. This is because these decision habits can significantly influence your ability as a corporate innovator to navigate the various gates. And as an innovator, you have to be very aware of these cultural aspects and be able to move, sometimes outside of them and sometimes inside of them and make conscious decisions when to navigate where and how.

However, when you are able to get the needed decisions and implement your innovation to the company, it can show the organization its limits of what it can and cannot do. It can also demonstrate to the company what they are able to acquire, nurture, and how they can make the necessary talent grow.

2. The Individuals

From senior management down to the collaborators and the contributors, every individual is shaped by a certain thought system and certain expectations. And these expectations, especially when we talk about industrial companies, are mainly based on the continuity of planning and avoiding uncertainty in manufacturing as well as safety. For instance, when you speak about ABS or ESP systems, or safety systems in the automotive sector, you're not experimenting because you actually want to have very predictable results. As a result, you're geared towards predictable results.

But if you are taking on a new and completely different space with new technology, you have to act slightly differently. By honouring this, you will manage these two modes and work with them while addressing people's insecurity. But it's not only a rational problem, it's also an emotional problem because psychologically people tend to avoid uncertainty. And they want to have predictability.

3. The Way Senior Management Makes Decisions

When we apply the iceberg metaphor to decision-making, we see that only 20% of the information we need to make a decision is available to us. The other 80% is based on the subconscious, which revolves around gut decisions and feelings. The problem with this is when your limbic system is not accustomed to the new technologies, such as in a new business, you don't know how to judge with your gut. First, because you will only have a few data points to base this decision on. In comparison, if you are in an established business, you can make a decision right away because you have done it quite a few times before.

That is why in a completely new business, if you are a member of the board or a member of a divisional board, you will often look at a problem, and you actually will not know what to do because you won't have a gut feeling just yet, due to your lack of experience. As a result, this will lead to analysis and paralysis because you will constantly be sending ideas back to try again and get more data. This will mean that as a business, you will not be progressing. However, this is not because the data is not there. It's because the gut feeling is not there.

Consequently, these three points are really important if you're trying to navigate the jungle as a corporate innovator and want to drive your approach ahead and deliver innovation. "I have learned these lessons while shuttling back and forth from the startup ecosystem in Berlin and the industrial powerhouse Stuttgart, nearly feeling like a space traveller every single time", concludes Florian.

Is All Innovation Leadership the Same?

What are the three most important characteristics of any leader looking to facilitate innovation? Tom Waller, incoming Head of Innovation at Adidas, has learned to rely on three characteristics: clarity over security, you get what you pay for, and language creates. Together, they form important lessons for any leaders looking to establish an innovation-focused culture.

Tom Waller
Head of Innovation at Adidas

Everyone loves disruption, right until it comes to their doorstep. Loss aversion theory causes us to protect the status quo, even if future gains may rationally point us towards change. That's where leadership has to step in.

Innovation leaders are responsible for the space in which teams feel empowered to take action. Similar to the mantra that leadership happens when you're not there, the space that leaders create and where the mission is well articulated ensures that what fills that space on an everyday level is additive towards steering an innovation forwards in any organization.

Tom's three characteristics of innovation leadership can help to ensure that the space is filled productively, and with the organization's best interest in mind.

Lesson #1: Clarity Over Security

The first lesson focuses, above all, on ambiguity. Uncertainty drives innovation, and organizations tend to succeed or fail based on how they approach this ambiguity. It's tempting to value the security of the present and to eliminate ambiguity too quickly with prior thinking that reinforces the past as 'safe'.

True innovation leaders encourage the opposite. They offer clarity on the future vision, building a clear North Star to work towards. At the same time, they also enable innovators and creative thinkers to simply start with a blank page, operating with minimal information and yet still being able to take an idea, incubate it, and commercialize it to market. Focus on where you are going, assuming there's a solid vision, and not on how to get there will foster a healthy environment of inventiveness.

That can be difficult to accomplish at fast-paced organizations , whose core business does not necessarily have the patience for ambiguity. Being able to step in, draw boundaries, and move within the pace of the larger business while still offering clear guardrails for innovation is paramount. Challenge that the organization is able to 'walk and chew gum at the same time'. Being agile around short term opportunities and investing in long term change is a normal human trait.

Lesson #2: You Get What You Pay For

The next lesson revolves around incentivization. The structure that innovation leaders create, the training they provide, and the rewards available for innovation, are hardwired to the output of innovation that the organization will see.

That doesn't mean tying innovation to a single or classical ROI that might only work for short term outcomes. Instead, it's about searching for impact, and rewarding that impact. Rewarding momentum , navigating the learning from failed experiments, even when that effort doesn't lead to commercialization, and supporting the transition of ownership,can go a long way towards building an innovation program designed to encourage creative thought and a healthy relationship with risk versus reward.

The standard rewards structure that occurs through annual bonuses should be adequate the innovations team where momentum can be measured. But it doesn't end there. An organization that ties rewards to project-specific impacts, like margin improvements for a supply chain project or media impressions for a communications project can also be valuable. A good balance between seeking 'head lines' and improving 'bottom lines' is a skill that all innovators must acquire. Take care to celebrate wins as close to the actual work as possible and encourage the teams who are working on innovation to celebrate each other. The numerous communication channels such as MS Teams are excellent to keep feedback contextual and between peers.

Lesson #3: Language Creates

Finally, innovation leaders need to create the language necessary to not just communicate with their own team, but with others across the organization. In that scenario, they're typically presented with three choices:

1. Teaching others to use startup, technical and innovation-focused language in an accessible way
2. Learning the commercially critical language that drives total success for the whole organization and showing where innovation consistently creates value
3. Creating New, shared languages with cross functional partners that everyone can rally around and trade on in order to eliminate any 'them versus us' communication and culture behaviours

In reality, true innovation leaders combine all three. New and shared languages bring people together, and create a shared vision, goal, and output that promotes innovation projects instead of an out of date transaction between innovation teams and commercial teams. It also creates a shared sense of empathy, allowing the innovation leader to understand and serve the entire organization.

Leadership styles are of course different, and cultural nuances require different approaches at every organization. These three lessons, though, have remained true across cultures, organizational structures, industries, and the globe.

Developing Transformational Leadership Currency

Abim Kolawole serves as the Vice President of Integration at Northwestern Mutual and previously served as the head of innovation. While many people think of process and

Abim Kolawole
VP, CX Integration and Promoting Journey at Northwestern Mutual

ideas as the starting point for innovation, the true starting point is the mindset, actions, and culture created by leaders.

Personal Mindset

Leaders need to take a step back and think about their own personal mindset and how this causes them to show-up. First, is the leader able to think disruptively? Leaders who successfully lead teams focused on innovation and transformation tend to have their own personal history of disruption. If you look at the career path or history of these leaders, you will find that they have taken risks, challenged themselves, and stepped out of their comfort zones.

These experiences enable them to think innovatively and to come to the table with a play to win attitude rather than playing not to lose. These leaders are better able to avoid the straight and narrow path and instead to walk a path that leads to innovation and transformation.

Diverse Perspectives Mindset

Leaders need to ensure they have diverse perspectives contributing to their projects. Look at the room and challenge yourself and other leaders to critically review what voices are at the table. Innovation is about creating something that has new value for clients through a repeatable process. If you don't have people in the room who think differently and look differently, the odds are high that you will not end up with the best ideas or the ideas that best serve your customers.

Make sure you have different mindsets, people who disagree with you, and people who have different experiences contributing at each stage of the innovation process. This way when you are testing, piloting, and engaging with clients, you are confident you are bringing something of value.

Leaders as Barriers to Innovation

While most leaders will not realize they are barriers, leaders are at risk of doing things, saying things, or modeling things to the team and other people that are inadvertently barriers to innovation. Beware of the following actions that can become a barrier to innovation:

- If you are a leader who prefers to maintain the status quo, you might be shutting down ideas before the team is given an opportunity to test, learn, or modify the idea.
- Some leaders play not to lose rather than focusing on innovation and disruption. With this attitude, the leader is less likely to consider an idea that isn't a sure thing, creating a barrier to innovation. To be able to execute on innovation, it requires creating a strategy and bringing people along, which can be overwhelming.
- Leaders need to be facilitators for their teams. If you are a leader who is focused on your own ideas, you are limiting your team's ability to innovate. Analyze what you do as a leader to give your teammates a voice when they have an idea. Embrace a test, learn, modify attitude.
- Embrace risk taking. If your team senses that you are uncomfortable with risk, they will not bring innovative ideas to your attention.

Culture of Enablement

You can have an amazing transformation and innovation strategy, but it won't get off the ground with the wrong culture. Companies that innovate successfully and repeatedly have a culture of risk taking, incentivizing people to be innovative, and providing constructive insights on failures.

These elements need to be infused organically in the culture in order to be

transformative and innovate. The culture needs to become systemic. In order to create a systemic culture, make sure that the focus on these values is made clear in the hiring and review process, which requires partnering with HR.

Innovation Development Is Being Disrupted, What Are You Doing About It?

In the past twelve months, Anthony Ferrier, Head of Innovation and Commercialisation at Swinburne University of Technology, has been having conversations with a range of leaders in the innovation, business and digital space. Through these conversations, he's learned that innovation professionals are, somewhat ironically, being disrupted.

Anthony Ferrier
Head of Innovation and Commercialisation at Swinburne University of Technology

Innovation is becoming more decentralized within organizations. Anthony compares it to what happened in the marketing industry 15 or 20 years ago. Where organizations used to have one central marketing team that handled everything, those jobs are now distributed throughout the organization within different domains, but often with a central strategy and coordination point. This is now starting to happen to innovation teams, with the previously core activities taken over by other functions in the organization.

This is disrupting the innovation environment, and creating a disconnect between business leaders (sponsors) and innovation teams. Innovation teams feel like they are doing their job running incubators, accelerators, and crowdsourcing events. Leaders, however, want to know what products and revenues are coming out of this activity. The activity was never supposed to be the goal, but the means of delivering business impact. The tension caused by this disconnect is translating into a higher turnover rate of innovation professionals, which is, in turn, making it more challenging to run successful innovation programs.

That's led to a deprioritization of innovation roles, especially within the upper levels of innovation management.

It's the functional groups within the organization that now seem to be delivering those initiatives. They are working on projects which are more in line with what business leaders are looking for from their innovative agenda. For example, a digital group can come in and say they can digitize a process within the organization within 12 months, with limited risk, and tell the executive team exactly how much it's going to cost and outline what the ROI will be. That's a big difference from an innovation professional who often has a longer timeframe, more risk of failure, different alignment, and greater focus on activity.

If these groups and functions within an organization are taking on the innovation

role, the question then becomes, is there still value in having an innovation function within an organization?

The answer to that question is a resolute YES! What these functional groups are doing is repackaging their existing approaches into an innovation framing. That's great, but as operational leaders they still need to produce whatever it is they are supposed to be doing.

While their changes might be welcome and a long time coming, they can't be innovating full time, or consider products that may be more risky and take longer to execute effectively.

Without an innovation program, an organization is going to lack an important set of capabilities.

Cross-functional approaches get pushed to the side. Organizations lose the ability to drive "Horizon Three" growth opportunities informed by what's happening outside of the organization. When they become too operationally focused, they miss out on new trends. Without an innovation program, attention is drawn away from impact and execution. All the messaging becomes front-end focused.

Within this new innovation environment, innovators have to position themselves as guides within the organization. It's the innovators who know the best practices for innovation. They can provide support in a visible way to the teams now working on innovation initiatives across the organization to create the greatest sustained business impact.

WHAT IS AN INNOVATIVE ORGANIZATION?

An organization that has the tools, processes and knowledge to pursue high-risk, unclear-ROI opportunities in order to significantly impact strategic KPI's such as revenue, profitability and customer satisfaction.

SPYRE™

AT SPYRE WE GUARANTEE TO AT LEAST DOUBLE OUR CLIENTS' INNOVATION OUTCOMES

Make **significant leaps** forward with strategic KPI's such as revenue, profitability and customer satisfaction

At success rates that are **above and beyond** industry standards

While having **complete control over the risk** and spending levels, receiving enthusiastic support from senior management and without dependency on external expertise or knowledge

INNOVATION SHOULD BE BUILT THROUGH ACTION AND MEASURED BY TANGIBLE OUTCOMES

TRAINING — DECISION MAKERS ENTREPRENEURS

We understand that innovation is based on skills and action. Our training programs teach essential skills while applying them hands-on since immersion is the best learning technique.

VENTURE — OPEN ORGANIC

We will work with your organization to harness people power and technology power in order to generate promising innovative ventures that will drive your business forward.

HYBRID ECOSYSTEM — OPEN ORGANIC

Our flagship offering is a full ecosystem from the ground up that will allow your organization to innovate effortlessly for the long term and change your culture and business outcomes one innovative venture at a time.

OUR TRACK RECORD

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Governance & Portfolio Management

How Innovation Drives Shareholder Value – The Power of Diversification

Every business model follows a basic life cycle that starts with an idea that's then launched, grown, and eventually reaches maturity. After reaching its peak, the business model starts to go into decline. Forty years ago, that wasn't such a big deal.

Jan Sedlacek &
Julian Ritter
Co-founder and Partner /
Associate Partner at Stryber

That's because the average lifespan of a company on the S&P 500 was about 40 years long. That means businesses had time to adapt to changes happening in their industry. Today, though, the average lifespan of a company is 20 years, and it's getting shorter. That means companies have to be faster at adapting. So the job of the innovator is to find new areas of growth to counteract the decline within the business model lifecycle.

Julian Ritter, Associate Partner at Corporate Venture Builder Stryber, says that they believed that diversification is the key driver of new growth in business. To test this hypothesis, they looked at how innovative companies performed on the stock markets between 2010 and 2019. What they found was exciting.

First, they found most companies don't diversify. 68% of the companies that they examined didn't show any signs of diversification, meaning they didn't innovate or didn't innovate successfully. Only 4% of companies diversified strongly, with more than 50% of their revenues coming from new segments. Next, they looked at how these companies performed in terms of average annualized total shareholder return. Of the companies that didn't diversify, they showed an average of 7.3% in annual shareholder returns. Companies that diversified more showed stronger annual returns. Those getting more than 50% of their revenue from new segments showed an average annual shareholder return of 11.2%. So companies that diversified outperformed those that didn't, both in the short and long term.

Achieving new growth through diversification sounds easy, says Jan Sedlacek, co-founder at Stryber, but it isn't. New growth happens in four stages. First, you have an idea, then it goes through launch, growth, and expansion. But 89% of new ventures never make it out of the launch phase and die in the "Valley of Death" before the expansion phase. This high rate of failure explains why so many companies fail to diversify.

To overcome this high rate of failure, companies have to increase the number of bets they are placing in the ideas phase. Building a portfolio of ventures reduces risks and drives impact. You'll lose a lot of bets as you move into the launch phase, but the idea is to lose them quickly.

You can de-risk new ideas through methods like financing logic, team incentives, and portfolio management. By the time the idea ends up in the growth phase, you'll end up with a small number of ideas geared towards ROI. Then you can start to harvest from those seeds of the initial ideas, creating successful business units for your core organization.

You need to create a portfolio that's substantial enough to keep the business sustainable over time. You have to create a strategy that gets you through the Valley of Death so you can become a part of the 11% of companies that manage to diversify. The key to this, says Jan, is setting up the right governance. New businesses are fundamentally different from the core business, so they need their own governance that will help them grow. However, they need to maintain contact with the core business. Most companies haven't figured out how to get this balance right, but it's a problem worth solving.

How World Class Companies Manage Their Innovation Portfolio

Managers often make the mistake of believing they can choose a winning idea on day one. That's not how innovation works.

Alex Osterwalder & Tendayi Viki
Associate Partner / Co-founder at Strategyzer

The best way to find a good idea is to invest in loads of ideas, then see which ideas are showing traction over time. The more ideas you have, the better chance you have of finding something of value to create a new multimillion-dollar business, argue Alex Osterwalder, Co-Founder at Strategyzer and author of The Invincible Company, and Tendayi Viki, Associate Partner at Strategyzer and author of Pirates in the Navy.

For example, Bosch's innovation program started with 200 teams. Each team got £120,000 and three months to come up with an idea. Only 30% of those teams had the evidence they needed to move onto phase two, where they received another £300,000 to start exploring and prototyping their ideas. Of those, only 15 businesses made it through the funnel to reach the final phase.

That's less than a 10% success rate from the initial 200 teams to the final stage. A lot of managers want to find the secret to skipping the first 200 teams and get right to the final 15 successful ideas, but that's not how innovation works. Innovation and failure are inseparable twins. You can't have one without the other.

But what tools do you need to decipher which of those ideas has potential? Good innovation portfolio management comes down to the ability to track the progress of ideas.

Measuring the Progress of Ideas in Your Portfolio

Your innovation portfolio is a collection of ideas. Many portfolio managers can't tell

which of those ideas are the most viable because they are waiting for the projects to start bringing in money. That's a quick way to waste investments and miss out on opportunities. You need to be able to quickly evaluate which ideas are making progress before they start making money.

When it comes to determining which ideas have legs, you need to measure their progress, not their activity. Activity is a good way to measure how hard the teams are working, but it won't get you anywhere when it comes to measuring the value of the idea itself. Measure the progress by the amount of risk a team can reduce for an unproven business idea.

One of the most straightforward ways of doing this is through an innovation project scorecard.

How to Evaluate a Project Using a Scorecard

To get from an idea to a successful business, you have to reduce the risk that you are producing something nobody wants. Teams can do that by continuously building evidence that is real and factual, and not based on opinion or fantasy.

Portfolio managers should use the scorecard in the three phases of innovation:

1. Discovery (typically lasts around 3–4 months)
2. Validation (typically lasts around 6–8 months)
3. Acceleration (typically lasts around 8–10 months)

Those timelines are guidelines; ideas might stay stuck in a phase for a while. Portfolio managers should score the evidence after each phase, and no project should move onto the next phase until they can show they have enough evidence to support the transition.

How do you know they have the right evidence, though? Both the teams and the decision-makers should know what the required evidence is for an idea to move on and receive more funding. By following this strategy, you make small investments at the beginning and large investments later on with the ideas that show the most progress.

A project scorecard should focus on four areas:

1. **Desirability.** Do customers want it?
2. **Feasibility.** Can we actually build it?
3. **Viability.** Can we make more money than we spend?
4. **Adaptability.** What's the business model environment?

Teams should bring evidence to the table in these four areas. They need to demonstrate that they know customers want it, they can build it, they can make money off of it, and it's the right time to bring it to market.

Scoring the Evidence

A project scorecard allows a portfolio manager to objectively evaluate the progress of an idea and whether it's ready to move onto the next phase. The scorecard should break down areas of desirability, feasibility, viability, and adaptability with questions that evaluators will rank on a scale of zero to five, with zero being there is no evidence at all.

1. This is first light evidence, based on what people say.

2. Light evidence with real artifacts. Maybe not a working prototype, but feedback based on initial designs.

3. Light call-to-action evidence. For example, potential customers are visiting a landing page and supplying their email addresses. They are taking action without a commitment.

4. Strong call-to-action evidence. This might come from customers making a deposit or a pre-purchase on a product.

5. Irrefutable evidence. They are purchasing a product from a pop-up store, for example. The customer doesn't know it's an experiment, they see a fully-fledged product.

Ideas won't get all fives at the beginning stages, but as they move from the discovery phase to the acceleration phase, their scores should move up. That's how you know the idea is making real, tangible progress. By the acceleration phase, they should demonstrate strong evidence in each building block.

3 More Tips for Managing An Innovation Portfolio

Manage the Portfolio as a Whole

There should be a team working in the background to manage the portfolio as a whole. This team can look for potential synergies between ideas, whether ideas are cannibalizing each other, or identify which projects have already started in another market. There is no mathematical formula for this kind of management, it's just something that needs to happen.

Evaluate the portfolio as a whole in terms of financial success, too. Track the progress of the overall portfolio to see what returns you are getting from it. The only way you'll get value from an innovation portfolio is to make sure the returns are more than what is being invested into the individual projects.

Adopt the Scorecard

If you are trying to introduce the idea of using a scorecard to evaluate an innovation portfolio, the last thing you want to do is announce you have a newer, better system. You'll just get met with resistance. Instead, find ways to plug it into the current system. When you filter it in, people will start using it more and more because they'll see that it works. Give them a feel for the tool first, then let them adopt it naturally.

They'll see that when they use the scorecard, it makes it easier to determine where they should keep investing based on evidence rather than a gut feeling.

Reward Failure

Typically, it's only the teams with the successful ideas that end up getting the promotions and bonuses. It's impossible for every team to win. But there may be ways that every team can benefit from the success of the portfolio as a whole.

By doing this, it encourages people to take risks instead of acting like every idea is a success. It teaches them that failure is okay and that all teams will benefit because ultimately, they all contributed to the portfolio in some way.

How a Growth Board Moves Innovation Forward

Innovation is always a risk, and risk is highest at the beginning—when an innovation team has an idea or starts developing a new product. There are a lot of unknowns at

Jonathan Bertfield
Senior Faculty at
Lean Startup Co

the earliest stages of development. More needs to be learned about the idea, product, customer, and the market's response.

Utilizing a growth board process is a smart way to reduce that risk and prevent a significant loss, as Jonathan Bertfield, Senior Faculty at Lean Startup Co, suggests.

A growth board helps drive a company's strategy and fast-track the innovation process. It typically consists of a group of top-level executives—the key decision-makers—enabling a large company to innovate as quickly as a startup. Growth board members should be a cross-functional team with the ability, authority, and budget to make decisions.

The growth board should approve only a small amount of funds initially and increase funding in increments over time. Budgets should start low when the least is known about the innovation and market because this is when the risk is highest.

At every growth board meeting, the innovation team should demonstrate that an idea or the new product has traction. When the team successfully demonstrates traction by presenting evidence, funding should increase—and the project moves forward.

Frequent, Short Meetings

Growth board meetings should happen at least once a quarter, to keep everyone aligned. Ensure that every growth board meeting is productive by advising your innovation team to stick to a disciplined approach. By not providing any unnecessary information to a growth board, you will eliminate confusion and communicate more clearly, which helps in decision making.

For the actual meeting, consider following the 15-15-15 outline. The innovation team should present for 15 minutes, followed by 15 minutes for a Q&A. During the final 15 minutes of the meeting, let the Growth Board deliberate.

Different Questions at Different Times

Editing down to a 15-minute presentation means you'll need to know what information to leave in and what to cut. Understand that a growth board requires the answers to different questions at different times, not everything all at once.

The growth board will ask very different questions when a product is in the idea stage, for example, versus the business validation stage. Be prepared to communicate only the information that is relevant at that time. Remind growth board members that in the early development stages, you will be dealing with low numbers. It might be a new market, which can be tough to evaluate. Still, it's better to prepare with this in mind, than to come with made-up market research.

Balancing the 'Three-Ball-Juggle'

Plan for a productive meeting by knowing the growth board's decision criteria and editing your research. Also, keep in mind that growth board members are 'juggling' a lot of information when deciding to either fund an idea and advance it—or kill it.

Help the growth board balance all the information they are taking in and not get overwhelmed by thinking about it as a "three-ball-juggle." The three balls in play are – Evidence, Market Knowledge, and Strategic Alignment:

1. Evidence

Prove that an idea has traction by presenting different types of fact-based evidence, not forecasts, projections, or speculation. Only include information relevant to a specific development stage.

Talk about: If it's in the idea stage—Have you spoken to any customers? How many people did you speak to about the new idea? How many have used it, and did you get feedback? Then, later on, have a good set of numbers that support the idea of going to scale. Have you started to see revenue yet?

2. Market Knowledge

Acknowledge what the growth board already knows while communicating how a market has changed. The people in the room know the space—but innovation means that what the team is learning today is much different from how the space looked 10 years ago. Balance their knowledge with what the team understands.

Talk about: Who are the customers today, and what do they care about? What is relevant now regarding competitors and regulations?

3. Strategic Alignment

Consider whether or not the innovation aligns with the company's strategy.

Talk about: Is this the right product idea for us at this time?

Measuring Innovation Progress and Communicating Innovation Investment

How can innovation processes be aligned with key business metrics, and accounting principles? Esther Gons and Dan Toma discuss key principles from their new book on Innovation Accounting.

Dan Toma & Esther Gons
Co-Authors of The Corporate Startup and Innovation Accounting

Innovation vs. Accounting

According to a 2019 Gartner survey, lack of measurement is the biggest reason why top executives around the world fear investing in innovation. Accounting for success is vital, but it also requires an understanding of the potential gulf, and necessary reconciliation, between innovation and accounting departments.

It's a natural conflict. Long-term innovative thinking clashes with accounting, which isn't able to show positive results on the balance sheet over the past fiscal year. Turning that natural conflict into a conversation between peers is absolutely vital.

It starts with a common language, which is the design of innovation accounting. It's a set of principles that helps innovation leaders measure their successes in a way that helps the organization see its values without hampering innovation.

Crucially, innovation accounting adds to, but doesn't replace traditional accounting systems like GAAP. It seeks to show the value in innovation, without devaluing the short-term metrics that accounting departments use to measure the health of the organization. To get there, it needs to follow a few key rules.

Financial Leaders as Innovation Allies

For too many innovation leaders, CFOs and other financial stakeholders seem like adversaries. Fortunately, they don't have to be. Managed well, and with an honest effort to track success sustainably, they can become the biggest innovation allies.

Of course, that requires more than simply getting excited about new ideas or creative processes. A shared language, including success metrics, is crucial. If you are honest, and truthful, about showing your success, they can become the innovation team's biggest allies in developing the metrics necessary to develop an innovation accounting system.

Start With Defining Innovation

In most organizations, the core business structure is set up around accounting systems and principles. The key is to build a second system, with its own processes and its own ways of working, building its own indicators of success that still align with the larger business vision and goals. That, in turn, is impossible without defining innovation.

The same word can mean very different things depending on the industry and organizational structure. Defining exactly what it means for your organization is crucial before setting any type of metrics or expectations.

In most cases, innovation means not just R&D, but disruptive ideation and incubation of ideas that are complex, and require comprehensive support systems. Naturally, leadership needs to be unified behind that idea and structure, but the framework (and resulting buy-in) has to come first before accounting metrics even become part of the discussion.

That clear definition can then be followed by pragmatic processes designed to encourage innovation. Putting processes in place before metrics provides security, by ensuring that any attention or investment in the innovation process has the support and clarity it needs to have a chance of success.

The Fallacy of the Single Metric

Innovation is not like Lord of the Rings. There is no one metric to rule them all. In fact, trying to focus too hard on a single metric that can track all innovation success can lead to dangerous pitfalls.

Using just one accounting metric to track innovation artificially narrows the focus, which can become actively harmful. It enables and encourages individual teams to game the system, changing definitions of new products or moving dates to ensure their products track well according to this specific system. For example, if a New Product Reality Index shows what percentage of revenue was generated from products in each of the preceding three years, more departments will claim that even incremental innovations should be new products that count for more recent years.

The fallacy of the single metric holds true especially when the same metric is designed to track both core business and innovation processes. Innovation accounting seeks to amend that fallacy, focusing on metrics specifically relevant to the innovation process.

Even within that separation, an array of complementary metrics can provide a fuller picture, and avoid gaming the system. If, for instance, the New Product Reality Index is supplemented with a portfolio distribution report, a lack of alignment may show a lack of innovation even though the core metric suggested otherwise.

To Find the Right Metrics, Ask the Right Questions

If one metric isn't enough, just what metrics should you track?

It's an impossible question to answer, largely because the answer depends too much on organizational variables, history, and innovation team setup. But there is a process to get to that point. Rather than starting with some standard metrics, it begins with asking the right questions to both your innovation leaders and other organizational stakeholders:

- What does innovation mean in this organization?
- At what layer do other stakeholders in the organization need to understand innovation?
- What do we need to know in order to better understand and improve our innovation processes?
- How can we best determine when additional investment is needed, and when it is time to call an experiment failed and stop?
- How can we measure the number of current projects in our innovation funnel?
- Are the projects in the innovation funnel moving fast enough to benefit the business?

Each of these questions can lead to related metrics that track what your organization considers "innovation success." Rather than building out the entire system on a set of pre-determined metrics, it's about creating the beginnings of a system that can show the value of innovation, leading to better investment, incubation, and commercialization decisions in the long-term.

People vs. Decisions: The Rudder Fallacy

The final piece of the puzzle in innovation accounting is simple: do you have the support of the organization and your own teams to move towards a more accountable innovation system that matches your organization's needs?

It's a question that evokes what Tristan Kromer calls the rudder fallacy: at sea, turning the rudder may appear to steer the boat. But the boat doesn't actually move in your desired direction unless you have rowers that can create the momentum and move it forward.

In this context, that means systems can only get you so far. The best tools, the best labs, and even the best metrics won't matter much to make innovation successful. You need the right teams and people in place to feed that system with data, and even to help decide on the right indicators. It's the only way to ensure that innovation accounting will be successful, helping to drive your organizational boat towards the future.

How to Design a Future-Proof Innovation Portfolio in 6 Steps

Misha de Sterke, Managing Partner at Innoleaps, describes their six-step plan to create a diverse innovation portfolio, increase growth and future-proof your organization in a rapidly changing business environment.

Misha de Sterke
Managing Partner at Innoleaps

It all starts with your company's "growth gap"; the difference between the growth aspirations and what can realistically be achieved, in the near future, with its current mix of core and adjacent business activities.

As corporate innovation teams, we operate on three fronts, which are all "buckets" for possible investment. These are:

- **Core Optimization:** innovation to improve the current processes of the core business
- **Core Renewal:** innovation to expand into adjacent areas of operation.
- **Future Growth:** innovation to seek areas for strategic innovation outside of current domains

The general advice here is to diversify innovation portfolios across all three "buckets", as the best way to future-proof the company's growth. So, how to get to this future-proof innovation portfolio?

Step One: Future Research

The very first step is to map out as many possible future scenarios and identify obstacles that may arise on your way to achieving the goals. This can be done by graphing two possible variables that will either increase or decrease on the X and Y axes. Then you can plan for eventualities in all four quadrants of possibility. This builds resilience since multiple bases will be considered. You should also identify what potentially risky assumptions the company is currently operating under.

Step Two: Determine Strategic Opportunity Areas

In the second step, it is time to answer "What", "Who", and "How".

- What important consumer wants are currently underserved?
- Who is the target market for the opportunity?
- How can the opportunity be realized?

Of course, you're not starting from a blank page- you must take into account viable technological solutions. The research to determine strategic opportunities can be conducted in a four-step process:

1. Use surveys and focus groups to obtain feedback about consumer needs
2. Apply trend analyses such as regulatory changes and demographic shifts
3. Set goals and boundaries (what will and won't be considered)
4. Narrow down which ideas are viable opportunities

The ideas that make the cut should only be ones that will close the aforementioned growth gap.

Step Three: Align and Prioritize Direction

This is the ideal time to bring senior management and other decision-makers on board. You now have the metrics to demonstrate all possible outcomes and risks. The innovation budget must now be distributed through the three "buckets." Most commonly, the breakdown goes like this:

- Optimizing core business – 85–90%
- Adjacent innovations – 5–10%
- Disruptive innovations – less than 5%

However, depending on your company's needs and goals, the budget can be allocated differently. You may need to seek external sources of funding for innovation as well.

At this stage, you should be able to answer these four questions:

1. What problem will the innovation address?
2. Which target audience struggles to overcome this problem?
3. How can the problem be solved?
4. Why should this be done now?

Step Four: Involve the Whole Organization

The more ideas for innovation that you can pull from employees, the better. Include your entire organization or at least broaden your reach beyond senior management so that you can receive as many idea suggestions as possible. Your innovation pipeline should start with a wide funnel and then narrow at each stage as you work through the development process. By the end of the process, you should only have viable ideas in your innovation funnel.

Step Five: Start the Consumer Development Phase

By the time you reach this stage, you have only the best ideas remaining. Now it is time to launch your first iterations into the marketplace to gauge its potential. Feedback will tell you if each idea is big enough to scale. You will need investment at three stages. The funding can either come internally or from outside sources.

1. **Start-up** – This is the research and development phase, so pre-seed and seed capital is required.
2. **Early growth** – Once the opportunity has proved viable, growth funding is needed as innovations begin to turn a profit.
3. **Market expansion** – Ideas that have proven scalable will need to receive a series of cash injections to keep it moving forward.

Step Six: Managing the Portfolio

The number of ideas an organization has will differ. For instance, a larger organization may have a portfolio of 50+ opportunities, while a smaller one may only have 10–15 opportunities. The success of a portfolio can be measured at three levels:

1. **Strategic** – Are the developed ideas aligned with defined growth aspirations?
2. **Process** – How is the product development funnel functioning at scale?
3. **Value** – Does each item in the portfolio deliver an acceptable ROI?

Finally, it is recommended that you assess the viability of a portfolio by working backward from your growth gap goal. You estimate the total investment funds required to commit to that goal. That gives you the budget you need to achieve the goal. Following the steps as outlined then will help you design a future-proof portfolio.

Portfolio Predictability: Know What to Measure, Create Project Comparability, and Predict Expected Outcomes

Rafael Chaves Lopes
Managing Partner at Trimaran

Portfolio management is both science and art. A portfolio manager is a professional who selects and oversees a group of investments. The goal is to meet long-term financial goals while keeping in mind the risk tolerance of the client and trying to minimize those risks.

There is a lot of science behind portfolio management and predictability. Of course, you should never ignore your hunches in order to anticipate the markets, but there's also a lot of skill that goes into it. Minimizing inherent risks while maximizing profitability effectively is the art of portfolio management.

Within the innovation funnel, you have many assets in all different shapes and sizes. There's always huge potential. However, each asset is at a different stage. Some may be just an idea, while others could soon scale into a core product. How do you connect these together under one umbrella to effectively manage a portfolio?

Using Price to Bring a Portfolio Together

Price is one of the components that brings portfolio assets together. For example, would you want to invest a little bit of your savings in Apple or Berkshire Hathaway stocks? Or do you want to go in a completely different direction? It is the price per share, and the indicators that derive it or are derived by it, that will help you make your investment decision. Some of these include:

- Price-earnings ratio
- Future cash flow costs
- Earnings per share

Once you understand the value of the asset you have in hand (e.g. price per share), you can create comparability between different assets, and understand your overall portfolio's value.

Creating a Compatible Portfolio

Using the above metrics, you can create comparability between different assets since they all represent financial indicators. For example, just by looking at the price-earnings ratio, you can assume immediately which asset could be more overpriced than the other. But there is no silver bullet. Other considerations include which market is growing faster than the others, and where you see potential future growth to happen. That is when your initial hunch also comes to play. Just make sure you can back it up with concrete facts.

Unlike stocks, most early stage innovation ventures don't even have a validated business model yet, let alone consistent revenue streams that will allow you to have financial indicators for comparability.

When it's time to start separating apples from oranges within an innovation portfolio, you need to understand which assets are de-risking faster than the others. This also means understanding that, as ventures progress through the funnel, the indicators that create comparability between them also change. It might seem like trying to hit a moving target but, if you know your metrics you are able to decide where to allocate your resources efficiently and make the best investment. Here are some of the metrics you can use on to start comparing different assets:

- Market size;
- Velocity metrics;
- Traction and growth metrics;
- Gross margins;
- And more.

Once you have the answers to these questions, you can start organizing, analyzing, and balancing your portfolio based on these predictions.

Creating Portfolio Predictability

Once you have all these metrics in place as you grow your innovation ventures, you are able to create financial models to predict your innovation ROI. From measuring the earliest assumptions being tested to financial results from more mature ventures, along with your funnel conversion rates (rate at which you kill ventures from one stage to the next), you can then predict the financial returns expected from your total portfolio.

If a new early-stage venture enters your funnel today, it may only begin generating revenue in 12 months. This does not mean it is a bad investment. But if you have a portfolio management view that allows you to see the cost of opportunity for allocating resources there, you will have far better data to make that judgement.y.

Using the metrics discussed above will help you determine which assets are worth pursuing and which ones need to be cut out in pursuit of better opportunities. By measuring your innovation portfolio correctly and creating predictability, you are able to minimize its exposure to risk and increase profitability. And, at the end of the day, a profitable portfolio is the best way to make your stakeholders happy.

Why Business Cases Suck and How to Fix Them

Business cases suck, says Tristan Kromer, founder of Kromatic. The reason they suck is that executive sponsors are asking us about money, and usually asking about it too soon. So in a desperate attempt to satisfy the desire to create a Profit/Loss statement, we end up sticking a bunch of made-up numbers into a spreadsheet.

Tristan Kromer
Innovation Coach &
Founder at Kromatic

Yet by the time the project launches and we can be accountable for not hitting the numbers, we are gone. We've either left the company or are working on another project and no one will be able to track those results back to us. That's why no one minds lying about the numbers in a business case.

However, there are valid reasons for creating a business case. The CFO needs a financial model that tells them how much money a project is going to make and how much it's going to cost. This information tells them if the project is worth investing in. What innovators deliver is a business model canvas filled with qualitative assumptions and no numbers. That canvas doesn't tell the CFO what they need to know, but it is useful for the innovation team. It could help the innovation team understand where they should be focusing their time and verify the viability of their project.

A traditional business case represents certainty and predicts the future. A business model canvas represents uncertainty and prioritizes where to focus. These tools both serve purposes, but aren't talking to each other. There needs to be a new approach to creating a business case for innovation that can do what the financial model and business model canvas aren't doing on their own.

A business case for innovation needs to:

- Predict the future while representing uncertainty inside the model
- Be testable, so teams don't have to wait years to see if predictions are correct
- Help prioritize by showing which variables to focus on
- Help innovators and the financial team communicate with each other

Creating a business case for innovation is possible, and it starts by taking a user journey map and creating a hypothesis-driven financial model. By creating a spreadsheet that breaks down the variables (such as acquisition, activation, revenue, retention, and referral), you can build a financial model using a Monte Carlo simulation that delivers a range of possibilities instead of depending on exact numbers.

A Monte Carlo simulation is simply the process of applying random numbers to each variable to create a range of possibilities. This range of possibilities will be narrower at first because we can better predict outcomes in the immediate future. But as the uncertainty compounds, this prediction of the future will widen out into a cone of uncertainty as it progresses.The most likely results will be in the middle of the cone, with the least likely results being in the upper and lower ranges.

With this type of financial modeling, you can tell whether a goal is highly likely, unlikely, possible, or likely to happen. Then you can reduce the uncertainty within the model by running experiments to test the variables and narrow the ranges.

Unfortunately, with our current approach to business cases, teams will often take the best-case and worst-case scenarios and average the two. This is the most common error in business forecasting – but it just doesn't work.

Let's roll two six sided dice and multiply the two numbers. What will the average result be?

Will it be the best case (6 * 6 = 36) added to the worst case (1 * 1 = 1) and divided by 2? That would be 36 + 1 = 18.5.

Roll the dice and try. If you do this enough you'll see the true answer is closer to 12. That's a monte carlo simulation. Roll the dice to simulate the results and see what happens.

By using the Monte Carlo simulation, you allow the variables to push and pull against each other and fluctuate. This is what builds the range of possibilities, giving you a much more accurate understanding of what is likely and what is uncommon. A standard business case can overpredict the outcome of a project by anywhere from 30–70%. The Monte Carlo simulation, done well, can remove that error. The prediction of a Monte Carlo may be lower, but it's a much more accurate and makes for better decisions.

This approach takes a business model canvas and translates it into a visual financial model via a user journey map. By applying the Monte Carlo simulation, you can predict the levels of uncertainty. Innovators no longer have to lie about the numbers, but can instead show a more accurate "likely-case" scenario. By running experiments on the variables, you can reduce those levels of uncertainty and more accurately predict the future.

Is Agile Killing Stage Gate?

Paul Heller, Chief Evangelist at Sopheon believes that companies will benefit if they use the best of the two main methodologies for managing product and software launches: Stage-Gate and Agile.

Paul Heller
Chief Evangelist at Sopheon

What is Stage-Gate?

Stage-Gate is a methodology that was created in the 1980s by Dr. Bob Cooper. It was born out of a study of companies that showed consistent success with new product launches. Stage-Gate establishes a framework from taking an idea to launch by requiring the project go through several stages, with a gate after each stage.

The stages have specific actions and deliverables associated and require involvement of cross-functional partners. At the end of each stage, specified "gatekeepers" decide whether the product should move to the next stage. Decision making is a critical aspect of reducing risk.

The main stages in the classic Stage-Gate process are:

- **Ideation:** Generate ideas
- **Concept:** Concept development and scoping
- **Business Case:** Building a business case based on intuitive decisions
- **Development**: Create the product
- **Testing:** Field trails customer tests, trail operations
- **Launch:** Start production and selling

The gatekeeper decision makers after each stage will change. The gatekeepers in the meeting need to be individuals that have the ability to fund the next stage of the project.

For the Stage-Gate process to be successful, there must be a large volume of up-front ideas that get winnowed down throughout the process. If there aren't sufficient ideas, the gatekeepers will be too hesitant to kill a project or to recycle a project back to the previous stage.

The Stage-Gate process isn't set in stone. It can be tailored for different projects, and it is common to see companies leverage a Full Stage-Gate Process, a Stage-Gate Express process, and a "Just Do It" process. For example, if the product at-hand is a line extension of an existing product line, it will require less work and inherently present less risk. This could be a good fit for the Just Do It process.

The most important decision that is made in the Stage-Gate process is often "are we ready to launch?" Launch involves many cross-functional stakeholders because it will require marketing campaigns, sales training, delivery organization training, press releases, stores lined up to sell, and any other activities required to bring the product to market.

What is Agile?

Agile is a method that came out of the software world's desire to address a failure in product development – specifically, the lack of input or decision points in the development process necessary to adjust to changing consumer needs. The model was created in 2001. The three main steps of the most common Agile process are:

- **Product Backlog:** Identify small pieces of software capability that need to get done
- **Sprint Tasks:** Select a group of capabilities that are deemed important and go together as a logical group and go into a cycle.
- **Cycle:** The cycle includes daily team meetings for a period of weeks until the items are completed. Then you reevaluate where you are. Then pull more from the backlog. Throughout the cycles some things will disappear as no longer relevant and new items will come in, providing a better selection to get to the optimal solution more quickly.

Stage-Gate versus Agile

Stage-Gate and Agile were created for very different use cases. While Stage-Gate is better suited to physical products, Agile was developed with software products in mind. Stage-Gate is being used in chemicals, food and beverage, consumer packaged goods, single products, simple products, technology development.

Agile is being used for software, software as part of a hybrid product, research and studies.

Each presents advantages and disadvantages.

Stage-Gate

Stage-Gate has the benefit of being cross-functional, provides clear process and required deliverables with many readily available templates, and incorporates a

governance model that defines the decision-making framework. It provides for governance beyond the product engineering activity and, in fact, it does not really dictate how product engineering is actually done at all.

While it has many advantages, Stage-Gate presents the following problems:

- Does not work for product engineering (development)
- Effectiveness of gates – organizations need to have the right people involved and to stick to the discipline
- Hybrid products are not killed but are refactored with changed features
- Business case can be too rigid too early
- Viewed as "old"
- Value not often understood or appreciated, especially by software engineering
- Linear stages can be problematic
- Lacks systems thinking because products are actually portfolios of capabilities

Agile

Agile was developed to enable developers to fail fast, create a minimum viable software product that provides value, reduce the risk of bringing the wrong product to market, and to allow for a changing target.

It is not, however, a perfect solution for all use cases:

- Lacks business case which, in some organizations, can be a problem
- Lacks financials which creates similar problems to lack of business case
- Not all teams can be dedicated which is a challenge especially for physical products
- Alignment with corporate strategy is not always clear
- Begins with "what" not "why"
- Sprint demos can be hard to follow for key stakeholders – viewing only a small portion of work doesn't provide context
- Alignment with other processes required for hybrid products is difficult

In a world where products are increasingly hybrid – consisting of both physical and software components – companies must understand both models and adopt a hybrid approach.

What Does a Hybrid Approach Look Like?

Rather than solely adopting one method, companies need to be strategic when selecting the product development model for a particular feature or product. This is particularly true for hybrid products. Agile is also a good iterative fit for the earlier stages in Stage-Gate, particularly voice of the customer needs, concept tests, and prototype tests.

A company will need to assess individual projects to determine whether to:

1. Use Stage-Gate
2. Use Agile
3. Pull relevant elements from Stage-Gate and Agile to accommodate the needs of the project

Product developers need to understand the language used for Stage-Gate and Agile to avoid friction and to understand the differences in timing and cadences. There also need to be natural points in the process to bring these different teams together.

So is Agile killing Stage-Gate? Not necessarily. While Stage-Gate is sometimes considered too rigid, the real issue is applying the wrong methodology to a project. Failure in a Stage-Gate process leads companies to seek alternatives, but Agile may not be the best alternative. Each model offers good options and should be used in the right context.

Ready to Foster Intrapreneurship With the New ISO 56000 Series on Innovation Management?

Companies are eager to make innovation a part of their culture. They want to promote intrapreneurship within the organization but aren't sure how to make it a part of the company culture. In an effort to do this, they'll often try to kick-start it by organizing big events that celebrate innovative thinking. Airbus tried this same strategy, shares Alice de Casanove, responsible for innovation competencies and learning in Airbus Defence and Space, in conversation with Planbox's Ludwig Melik.

Ludwig Melik &
Alice de Casanove
CEO at Planbox / Innovation Director, Culture Evolution at Airbus

They created the Dream Big event, where employees could send pitch videos to top management. They were then celebrated for their ideas during the big event. The goal was to create a unique bond between top leaders and the people willing to challenge them.

Ultimately, this did nothing to change company culture. It gave people an opportunity to speak up and share ideas, but when the event was over, everything went back to normal. Intrapreneurs continued to run up against obstacles with departments like finance, HR, and IT. Those departments continued to operate on the status quo because nothing within the culture really changed.

That's where a new standard in the Innovation Management System may help.

Why Standardize Innovation Management?

Besides her role at Airbus, Alice is also the ISO56000 series chairperson. Created in 2013 at the initiative of France, this committee on international standards for innovation management has members from more than 66 countries working in liaison with OECD, WIPO, the World Bank, and the World Trade Organization among others. The Innovation Management System Standard is a guiding framework for top management to lead and organize for innovation. It's also a checklist for the innovation team to enable systematic innovation.

With this collection of standards, companies have best practices to make innovation visible and recognized within the organization. It's reusing the language of the business management system (from ISO 9001) and integrating the innovation process into the system of the company. That way innovation is understandable to every division in the organization.

Through this standardized framework, Finance understands how to fund innovative projects. Production is free to find new ways of bringing in materials for the intrapreneur. HR has a framework to recognize the capabilities of the intrapreneur, giving them an opportunity for promotion and visibility within the company. Standards help intrapreneurs articulate a clear vision and invite everyone into the process. It defines the organizational culture required for innovation to flourish.

At this monet, these standards have been published already:

- ISO 56000:2020: Innovation management fundamentals and vocabulary.
- ISO 56002:2019: Innovation management system and guidance.
- ISO 56003:2019: Tools and methods for innovation partnership and guidance.
- ISO/TR 56004:2019: Innovation management assessment and guidance.
- ISO 56005:2020: Tools and methods for intellectual property management and guidance.

There are additional documents under development. These include requirements for innovation management systems, tools and methods for strategic intelligence management, tools and methods for innovation operation measurement and illustrative examples of ISO 56000.

In the ISO56000 document, innovation is defined as "a new or changed entity creating or redistributing value." This definition isn't only talking about the financial value of innovation. It's also talking about the value for society. OECD, which measures innovation potential in countries globally, is now using this definition. They'll be measuring innovation in terms of both the financial and societal impact it makes. That's a game-changer. Countries want to be in OECD's top ranking for innovation, so a change in criteria can get them thinking about societal value. Eventually, that could lead to changes in public policy and encourage innovation that brings more value to society.

Jumping Over the Compliance Barrier. Driving Innovation in High-Risk Industries

Working with a friction department can be quite beneficial to innovation. Erwin De Beuckelaer and Claire Kingston, who work in the Quality department within Johnson & Johnson, share their suggestions about the process.

Erwin De Beuckelaer & Claire Kingston
Director Innovative Capabilities / Director, Platform Innovation & Design Head at Johnson & Johnson

Friction or Enabler?

When you are in a quality or compliance function, you are considered an inhibitor, almost like a hurdle for innovation. And it's that friction you may encounter when you are trying to propel an amazing idea forward. This is why a quality department is often referred to as a friction department. However, this rationale is not always accurate because this department can be an enabler, especially since they are there to protect the company from any unacceptable risks and make sure innovations can actually make it to market.

Another way to think of a quality control department is as a partner. Someone that is behind you, encouraging you and telling you which way to go and what to avoid.

Although many people may assume that this department just sits back and creates programs and tells others to innovate, it does not work that way. Instead, this department is there to make sure that everyone innovates in a way that helps the company align with its objectives and business goals.

When you think of quality and compliance and innovation at large, the balance between being customer-centric and compliance is often a tricky balance. In fact, this is one of the main challenges that the quality and compliance teams often experience when working with business partners.

Resolving a Dilemma

A very famous study around business culture developed a technique called dilemma reconciliation, which is a way to deal with dilemmas but not end up with any weak compromises. This means that if you are trying to bring a customer-centric idea, you could create unacceptable risks that never hit the market. However, on the other hand, if your compliance and quality control are too strict around an idea, you'll be too slow, and you may leave user needs unmet.

As a result, you are left trying to sort out this dilemma and make sure you find a happy medium, which is nearly impossible.

The only way out of this is by embedding quality, not just as a separate function into all of your business operations. The same goes for all of the friction departments. You want to start blending and combining these different aspects and forming a true partnership.

How Can You Work with a Friction Department?

If you genuinely want to work with others, you need to look for a connection and develop trust. This means if you have a disruptive idea, you will want to:

- Look for allies that truly understand your business
- Involve the friction department as early as possible, not wait till the last moment
- Use the external environment as a tool and also use crises as catalysts. Some of the most wonderful ideas come out of high-pressure situations.

One other way to work with the friction department revolves around reframing and experimenting:

- Focus on desired outcomes
- What are the "jobs to be done?"
- Test assumptions to reduce uncertainty

Do not be afraid to experiment with your ideas. If you believe something is not resonating with your friction departments at first, consider reframing the idea in a different way. That is why trial and error are so valuable to this process, as long as you do not waste too much of resources and time.

Furthermore, it's your responsibility as an innovation team to engage your friction department in future scenarios. For example, regulations in pharmaceuticals are real- they keep patients safe and make sure products are safe. But sometimes, the interpretation of these regulations evolve over time, or change drastically, because of digitization and other fundamental shifts.

Moreover, regulations that may apply at some point in the near future can help shape an industry. That means friction departments need to include these options in their thinking, and that's where you can help them.

Program Management

How to Plan and Run a Successful Online Employee Ideation Challenge

An employee ideation challenge leverages the power of your workforce to create business solutions. The vast majority of employees have a clear understanding of where the company is at and they have ideas to improve the challenges your company faces. In fact, 90% of employees would engage more if they felt listened to.

Coby Skonord
Co-Founder & CEO at Ideawake

Some of the best products currently on the market have been brought forward by entrepreneurial employees. In a market where industry leadership lasts significantly less time than ever before, you need to harness the power of your employees to ensure creative solutions, argues Coby Skonord (CEO at Idewake).

Define and Create an Effective Challenge

To start an ideation challenge, first define the goal to ideate around. Target the challenge to a specific topic related to your business goals and follow a defined process to evaluate the ideas in the challenge. Then set a timeline for the challenge.

Keep in mind that challenge statements should follow the SMART principle (Specific, Measureable, Achievable, Realistic, and Time Bound.

Your workflow and evaluation criteria are key parts of running an idea challenge. This is where you tie information back to the organizational goals you set for the challenge. The right criteria engages stakeholders in the evaluation processes that will make the challenge an ultimate success: leading to process improvement and innovative change within your organization.

Choose between 3–10 evaluation criteria and focus on ideas that are easy to implement and have a high potential to impact customer experience.

Promotion, Promotion, Promotion

Any effective challenge requires employee participation which in turn requires promoting the challenge to your participants. A well planned and promoted challenge should reach a 60–80% engagement rate.

Your communication plan builds promotion. A unique branding and name for the program with uniform messaging, pre-launch and post-launch communications are all part of your communication plan to ensure employees know what is happening with the challenge.

- Company E-Newsletters
- Feature on the Internet
- Dedicated Pre-Launch Emails
- TV Slideshows

Any promotion should contain specific items to ensure it communicates effectively with your employees. The email communication should reference the internal innovation brand, focus on employee empowerment, show how employees

can participate, provide an incentive for participation, and show management support.

You can use cards to promote the challenge including postcards and "save-the-date" cards. Also, talking about the challenge at weekly or monthly department meetings helps convince people to attend. Finally, use company gatherings to help people take part in the challenge even if they might not have remembered at first. For recurring ideation challenges, regular events are key times to get people engaged and find new criteria for the next recurrence.

A champion network within your organization can help you achieve a high engagement rate. They can promote ideas, comment on ideas, and vote on ideas. A network of champions, your frontline managers who are behind the changes, can really help to separate the wheat from the chaff in creating innovative ideas.

Making Ideas Happen

In order to make the ideas work the best for your organization, you need to start with the incremental ideas.

Incremental Ideas – Horizon 1

To sell the ideas that are created by employee engagement, you need to have some early successes. The incremental ideas like simple process improvement can sell the entire program to leadership. Early successes can also keep the idea challenge on the budget even in economic downturns or leadership changes.

Incremental changes need to be the primary goals of the first few idea challenges as you don't require a dedicated budget to implement these changes. This is the crawl stage.

Disruptive – Horizon 2

The second stage is to implement more disruptive ideas. These disruptive ideas may include changing processes or product lines and need to have early success of Horizon 1 in order to sell it to decision makers and gatekeepers. When you have had 2-3 successful ideation challenges, you can start implementing the more difficult ideas. This is the walk stage.

Transformational – Horizon 3

The final stage will require dedicated budgets, complete leadership buy in, and significant employee engagement. This is where the "innovative company" ideas can be thought through, tested, and put into place. Ideas that transform an entire company are the run stage.

The 6 Secrets to Bringing Ideas to Life

It's one thing to have an idea. It is another animal to bring it to life, says Will Read, CEO and Founder at Sideways6. It starts with structured methods to listen to the insights, suggestions, and ideas from everyday employees. You can then build processes

Will Read
Founder & CEO at
Sideways 6

and support so that those ideas can come to fruition and actually make a difference in the organization and the world.

To make it clear, we are not talking about the age-old method of the suggestion box where employees can write suggestions on a piece of paper, slide it in the box, and likely never hear about it again. Instead, we are focusing on modern, structured and digital ideation programs where employees have an opportunity to see and understand a company's challenges and respond to these unique challenges with their insights.

There are three types of employee innovation programs you could be running at any time.

Broadly speaking, employee ideas programs fall into one of three categories depending on the overall objective and the type of ideas you are looking for:

1. **Innovation campaigns** ask for ideas on fundamentally new products, systems, or processes that are different from the company's existing offering or product portfolio.

2. **Improvement campaigns** seek ideas with the potential to improve the business in the short term and long term. These ideas could range from incremental improvements to transformational changes and are typically centered around optimizing existing products, systems, and processes.

3. **Engage campaigns** strive to learn from the community, usually through a burst of engagement, whilst at the same time exciting and uniting employees around core topics or themes. Successful ideas submitted are used to inform, inspire or alter company policy and strategy.

   An example is AstraZeneca. In 2018 they asked their employees for ideas on how the business could grow during a 5 year period. They received more than 30,000 ideas from employees. Decision-makers learned from those ideas and then implemented a number of strategic points to use going forward, thereby creating engaged programs.

The Flywheel

The flywheel as a management concept was introduced by Jim Collins in his book, *"Good to Great."* Think of the flywheel as a hamster wheel. The hamster takes his first steps on his wheel to get it moving. If you can find out what those steps are to get your flywheel moving to get your whole process working well, then you're likely to start seeing momentum. The secret to the flywheel is finding out what you can do to achieve your desired result. In turn, this will lead to other things, and then we have a virtuous circle of good results.

Let's take a look at Amazon. Amazon focused intently on lowering prices and providing more offerings. This led to an increase in customer visits, which then led to attracting third-party sellers. This then led to extending store distribution, leading to the ability to make more money off of smaller costs. Finally, this came full circle and led to lower prices and the ability to add more offerings, which was the original goal in the first place.

The flywheel effect can be applied to great ideas and innovation programs too.

You will start to leverage the flywheel effect and gain momentum when you focus on achieving one key result first. Once your stakeholders notice the impact you're having, often through stories that spread by themselves, they will make more resources available, so you can increase your capacity to learn and improve- and bring more ideas to life. Your role in the early days of an employee ideas initiative is to bring as many good ideas

to life as you can, and then to understand how you've done it and repeat. And repeat.

Bringing Ideas To Life

Now, what can you do to bring ideas to life successfully? Will shares six practical suggestions.

Visit the Graveyard

The graveyard is where ideas go to die. This collection of ideas and initiatives were never acted upon and got either forgotten or shoved to the side. First, audit your company's graveyard and find the ideas that got buried. Then, find the people who were trying to bring them to life, to understand what got in the way, so you can adjust your approach based on those learnings. Plus, you might discover some hidden treasures too.

Rally the Right Supporters

It's essential to find a few first movers within the organization to support your initiative. There could be the well-known champions of change, or someone who's new and wants to make their mark. If you help them solve their problems, they will not just provide you with the resources you need, but also become advocates for you across the organization.

Show Data

Data can be incredibly valuable when you're looking to bring ideas to life. When you can obtain data as proof points, there is a higher chance of breaking down barriers and making a real difference.

Give Ownership

You will see better results if the problems you're trying to solve are owned by the people who can bring the solutions to life. Typically, the people experiencing the problems have unique insight into what the root cause of the problem is and how you might solve it. They care about solving it.

Educate

You can't be everywhere all the time. To make your program stick, educate your employees on the core methodologies. Then, you can give them accountability and help them through coaching, maybe only 10-15 minutes every week.

Create a Space to Share

Instead of having people work in silos, build a space where your innovators can come to learn and share their experience with the program. It's important for everyone involved to be able to understand what's going on elsewhere. It's your job to create full transparency, also with regards to progress and performance metrics for all of the initiatives individually and collectively, as that will motivate your innovators to do better.

The Future of Intrapreneurship: Trends & Best Practices

Céline Degreef, CEO of Yumana, launched the first European Intrapreneurship barometer this year, with a central question: what does the future of intrapreneurship look like? Among the 65 barometer

Céline Degreef
Co-founder and CEO at Yumana

respondents, 60% reported having some form of program, with 60% of all programs being at least 3 years old. Does intrapreneurship have a bright future ahead of it? Here are some of the findings.

Executive Sponsorship… But Lack of Support From Mid-Level Employees

Over 80% of respondents reported that their intrapreneurship programs have gained sponsorship from c-suite executives. This support makes it easy to promote the programs internally and set up clear goals.

However, the barometer has shined a light on the disparity between high-level management's involvement with intrapreneurship initiatives and the involvement of HR and mid-level employees. In fact, mid-level employee buy-in has historically been a roadblock to the implementation of successful intrapreneurship programs.

Multiple Benefits For The Company… But Less for the Intrapreneur

If done well, there are many and various outcomes of intrapreneurship programs. Turning ideas into new products or services (business), changing corporate culture, mindsets, and ways of working (Transformation), and bolstering HR efforts like talent attraction. Intrapreneurship programs are important tools that transcend the organization.

While being supported during their journey thanks to coaching sessions, training (…), corporate intrapreneurs reported a lack of personal autonomy. 70% reported a lack of dedicated time to work on their respective projects. In fact, 55% or project participants are not incubated nor excubated. Finally, 50% of participants ultimately receive little in terms of reward when a project is successful.

Performance Management Still Mostly Lacking

While 90% of respondents stated that they have developed some way of measuring success, the barometer revealed that over two-thirds of them had no clear system for benchmarking results and achievements. Feedback is solely qualitative rather than quantitative. This makes it harder to sell new projects to upper-level management.

Success is itself a variable. You must define a universal metric for success across the entire company before you can establish the rate of success.

Intrapreneurship: What's Next

What can we learn from these findings, in order to improve our programs?

The core of intrapreneurship rests on the three goals: encouraging business development, cultural transformation, and talent development. But the big picture is far more nuanced than that.

More and more high-level managers are supporting intrapreneurship. And while the same old "banana skins" such as autonomy and time still exist, HR departments mingle with the party to make their employer branding shine. More than 50% of companies have implemented digital platforms to run their programs, but the arena as a whole is hungry for quantitative data to back up the effectiveness of these programs.

You must set clear goals to ensure that all stakeholders are aligned and should seek to elicit buy-in from the entire company, from frontline workers to middle management, to your c-suite. Each phase of an intrapreneur's project must come with clear budgetary requirements attached, and no project exists in a vacuum. Great ideas must be incentivized, so make sure to take care of your intrapreneurs during the project's inception and after its success. Finally, make sure to establish clear-cut KPIs that measure success rather than relying on objective observation to gauge effectiveness.

Area 120, Google's In-House Incubator

Jackie Bernhelm from Google's Area 120 explains that the innovation incubator's name came from the company's original 20% policy.

Jackie Bernhelm
Partner Area 120 at Google

> *"We encourage our employees to spend 20% of their time working on what they think will most benefit Google. This empowers them to be more creative and innovative. Most risky projects fizzle, often teaching us something. Others succeed and become attractive businesses."*

Area 120 is a place for people to work on their 20% projects 100% of the time. It makes space for innovation in a company that now has over 100,000 employees who still need to deliver on the expectations in their everyday jobs.

While Area 120 is now experiencing success, it was an iterative journey to get to where they are today. When it started, Area 120 was a startup accelerator for large-scale projects that had big teams and long timelines. Originally, they measured success by whether Area 120 created a billion-dollar business. This innovation setup didn't work, though, because it didn't take advantage of the unique things about Google. It was looking externally for definitions of innovation instead of looking internally.

The group pivoted and became an innovation incubator. Today, it's about identifying and fixing key issues that Area 120 is uniquely positioned to address inside of Google. The innovations are capital-light and have a timeline of one to three years, after which the programs graduate into an existing product area. Success is now measured by how those projects grow once they leave.

Today, Area 120 has funded 94 teams with over $500 million in revenue bookings. They've trained over 500 full-time employees and had 13 successful graduations.

The Mission of Area 120 and How It Operates

The mission of Area 120 is empowering diverse entrepreneurial Googlers to unlock value for Google through zero-to-one innovation.

Empowering Googlers means having dedicated resources, shared services, and experienced mentorship for them along the way. Area 120 looks for people left out of the traditional venture process, such as those who are innately entrepreneurial but who can't afford to take the risk themselves. They support these people, give them autonomy and resources to build their ideas as quickly as possible.

However, resources within Area 120 are purposefully kept scarce. There is a limited headcount, budget, and time. That scarcity drives ruthlessness in prioritization.

The operating model of Area 120 differs from Google. Area 120 offers a huge amount of autonomy, paired with clear guidelines.

Being independent allows people to take risks, which might be harder to do in existing product areas from within Google. Streamlined processes and systems allow projects to get to market quickly, sometimes in a matter of weeks.

How the Incubation Process Works

Pipeline

There is an open call application process, but Area 120 also offers guidance on the types of pitches they'd like to see. Twice a year, they provide templates for the pitches to shape the content that's coming into the incubator. The team listens to those pitches and conducts product area diligence. Area 120 fosters deep relationships with leaders within Google so they can approach them with pitch areas for feedback or interest.

Program

Selected teams get an initial investment of six months and $75,000. After six months, they have their initial review. The review process is strict, with 40% of projects discontinued within the first six months. By the 18 to 24 month review, the project should be pivoting from proving zero to one to thinking about how they are going to integrate into a product area. In the beginning, they'll be building fast, but by the end, they'll need to hook into Google's infrastructure.

Graduation

Projects are chosen based on their ability to move Google's business forward, and if they are successful, they leave Area 120 to join other areas of Google to accelerate. Lean teams need to have a win in one to three years. Successful teams integrate into product areas with strong strategic alignment.

How Area 120 Picks Its Projects

Projects are initially assessed based on four categories:

1. **Team and Talent:** Teams need to demonstrate entrepreneurship and experience in the area of their project. They should also demonstrate an ability to take feedback well.

2. **Google Fit:** Ideas need to either be adjacent to an existing product area's strategy or further out on its strategic roadmap.

3. **Area 120 Fit:** The team has to run lean and learn quickly.

4. **Value Creation:** Projects need to show that they are solving a problem which could result in a significant number of new users or new revenue for Google.

What Makes an Internal Incubator Successful?

Reflecting back at their journey so far, Jackie adds three success factors for internal incubators to succeed.

First, the incubator has to be good at mentoring and coaching, as well as partnering with existing product areas. It has to select projects that can scale up quickly with limited resources while deciding the best times to discontinue, pivot, or invest. Internal incubators need to remove barriers for diverse entrepreneurial talent and retain those people within the company.

How to Help Brilliant Ideas Move Forward

Microsoft is spoiled when it comes to ideas, says Ed Essey, Director of Intrapreneurship at the Microsoft Garage. Major Ryan Middleton, Team Lead in the United States Air Force, joined him for a year to see how Microsoft Garage handles that influx of ideas and helps to move high-value ones forward. He asks, if 5,000 incredible ideas showed up at your door, would you know what to do with them? How would your organization move those projects forward?

Ed Essey & Major Ryan Middleton
Director of Intrapreneurship and Incubation at Microsoft Garage | Sr Experimentation Lead at Air Force Research Lab

For many organizations, the goal is to encourage innovation. Once you've successfully done that, you have to know how to move projects towards business value. It's a process that Microsoft Garage has refined over the years with a lot of success.

How Microsoft Garage Moves Projects Forward

No company has an infinite amount of time and resources to move each project forward. To allocate their available resources, they use a touch system:

- **High touch:** These are top projects, such as those that win prizes in a hack-a-thon. These projects get residency and work full time on the project with support from the Microsoft Garage team.
- **Medium touch:** These are projects that might be former winners of a hack-a-thon. They aren't the newest projects, but ones that have meetings with potential sponsors. The Garage team helps prepare them to make the case about why that project should move forward.
- **Low touch:** This is a self-serve style of support, so everyone in the company can benefit from the discoveries made by other projects.

Types of Help Offered by Microsoft Garage

For all levels of touch, Microsoft Garage offers three types of help to innovators: business viability, sponsorship, and the experimental outlet.

Business Viability

This helps innovators assess their business viability with the Validate stage of The Garage Growth Framework. This framework takes ideas from lean startup and agile philosophy and translates them into the corporate environment of Microsoft. Enterprises can't and don't operate the same way startups do, so the process used to assess viability has to be a little different, too.

The Validate framework looks like this:

- **Understand:** Innovators go through a modeling exercise, such as using a business model as a canvas, to build a view about how they believe the world works. Within that model, they then identify any assumptions they made. Those assumptions are converted into testable hypotheses and prioritized based on importance.

- **Design:** The team takes their testable hypotheses and designs experiments around them.

- **Build:** The innovators need to build the leanest thing possible, then use it to test their hypotheses.

- **Test:** Teams take their prototype and go test in the market.

This process should work as a loop. Teams will take the information from the test and feed it back into their own understanding, then start the process again. The idea is to increase understanding while continuing to build the project. Teams end up connecting with potential customers and finding the true value of their idea. Feedback isn't always what you expect, and sometimes customers aren't who you thought they were going to be. Getting ideas out into the real world can help find value and demonstrate that value to potential sponsors.

Sponsorship

The Garage process can also help intrapreneurs get the sponsorship they need to move forward. This is about finding the right people, meeting with them, and nurturing those relationships.

The Microsoft Garage team coaches innovators on what to say to potential sponsors and how to prove the value of their idea. Innovation teams also learn about what to do after a meeting and how to follow up.

Part of the coaching process is teaching innovators how to tailor their pitch to different types of sponsors:

- **Influencer:** This is someone in the organization who can lend their status or authority to help the team. They provide air cover or the protection and space in which to operate. They might be able to provide a letter of recommendation or making an introduction that can help move the project forward.

- **Catcher:** These are the people who will decide where a new idea should land within the organization. They know what department, person, or team is ready to catch the brilliant idea and land it.

- **Funder:** These are the people who can provide resources like money, people, or positions to move the project forward.

Most teams think they need a funder right away, but it's often the least needed type of sponsorship in the early stages. Initially, teams should focus on building partnerships with influencers and creating allies in the desired department. Once that's done, they can focus on finding a funder.

Experimental Outlet

The experimental outlet is an opportunity to get ideas into the market where teams can gather feedback from people buying them.

Ed says that teams should spend their creativity on new ideas, not on how to do them. For example, they don't have to be creative about how to package their idea for the market. The Microsoft Garage will take care of that part for them, using the knowledge they've gained from helping hundreds of other teams. The teams get the benefit of all that knowledge, and the Microsoft Garage continues to learn new things in the process, too.

Once the teams run their experiments, Microsoft Garage has several checklists for them to go through before launch:

- Compliance
- Naming
- Go to market
- Market readiness

These checklists might not be the fun part of innovation, but they are an important part of it. They help ensure the project is ready for market, and it's not going to be a detriment to itself or to Microsoft when it launches. It's a process that provides immediate value to the team. When these checklists are complete, the Garage team then prepares the projects for their launch.

Innovation is Everyone's Job

Innovation can only succeed when everyone, at every level of the company, is involved in the process. That's the major lesson shared by Stephanie Hammes-Betti, Senior Vice President of Innovation Design at US Bank.

Stephanie Hammes-Betti
SVP, Innovation Design at US Bank

In the financial space, innovation is not optional. It's at the heart of customer experience, both now and in the future. FinTech continues to disrupt the space, causing large-scale banks to catch up or lose out.

That's why US Bank has built its entire innovation efforts around empathy, and understanding the stakeholder journey through both employee and customer eyes. Here, innovation is everyone's job, with co-creation happening at every stage of the journey across the U.S.

Within the larger corporate environment, innovation happens in three physical hubs across different parts of the country. A hub in San Francisco focuses on digital experiences, connecting directly with the FinTech and startup culture of Silicon Valley. Atlanta is home to two hubs around growth and payment spaces, while Minneapolis is home to the core innovation group.

The core innovation group, in turn, has taken an agile approach to the process. The goal is to get everyone on board and excited about innovation, gather as many ideas as possible, and then iterate to find the best solution in the fastest way possible while building core learnings.

The core innovation group itself consists of 30 employees and is organized into seven areas:

1. Research and development, focusing on long-term horizons and far-out concepting.
2. Project management, including the compliance piece that is so crucial in the banking industry.
3. Product development, which is where an idea that has been explored will be piloted and commercialized.
4. Innovation design, owning the early-stage ideas phase to identify problems and ideate on solutions.
5. FinTech acceleration for potential partnerships and relationships in the startup space.

6. Artificial intelligence.

7. Industry and government partner relationships.

The 4-Stage Innovators Journey

But, of course, if innovation is to become a core component of the business, it has to become everyone's job. So, the core innovation group has developed an innovator's journey available for everyone, at every level of the organization:

1. **Stage 1: InQ,** a simple opportunity for all 70,000 US Bank employees to learn through speaker series and workshops.

2. **Stage 2: Idea Place,** where employees can submit ideas at challenges or freeform, working together to develop them.

3. **Stage 3: Innovator in Residence,** where an accelerator and incubator along with a bootcamp allow employees to learn how to grow their own idea, or have the innovation group develop it on their behalf.

4. **Stage 4: Commercialize,** where developed ideas get tested, refined, piloted, and launched through coaching on design, funding, and more.

Each of these stages has been developed over time, crafted to help anyone in the organization contribute to the best of their ability. The Innovator in Residence program, though, is the crown program. Based on Lean Startup methodologies, it helps employees see their ideas through to truly bring value to the company. A new rapid design studio is specially designed and reserved for solving big problems fast, with a more centralized and agile approach.

Values-Driven, Value Delivered

In the years of developing and refining its internal innovation program, US Bank has developed four core values that everyone in the organization, including the usually resistant middle management, has begun to embrace:

1. Develop ideas, no matter where they sit;
2. Empower your people, including leadership, to spark those ideas;
3. Build collaboration across business lines and strategic partners;
4. Make a real difference that drives innovation into the core of the business future and success.

Within that framework, it's okay to let things fail. Failure is learning, and the more you're able to fail, the more you're learning. A cultural mindset of innovation is best embraced through an approach that keeps the entire company in mind, including incentives for day-to-day operations to sometimes take a backseat to new ideas.

It's this approach that has led to US Bank being an early adopter of Mobile Deposit Capture, automation tools, and voice-activated banking, with more innovations in the cryptocurrency and AI space sure to follow.

Intrapreneurship – Innovative and Sustainable Business Ideas Invented by Employees

With more than 19,000 employees in Switzerland and Italy, Swisscom is a major force in central Europe. But it also happens to be one of Switzerland's most sustainable and innovative companies, thanks in large part to a commitment that reaches beyond its bottom line.

Ralph Hartmeier &
Marius Schlegel
Corporate Responsibility at
Swisscom / Co-founder at rready

Swisscom is 51% Confederation-owned, which means that its responsibilities extend beyond shareholder revenue. A commitment to Swiss society, its people, and the environment along with a growing commitment for the same values across the globe has led to a strong desire for internal, sustainable innovation. It's core mission: to make it easy for customers to take the opportunities of a networked future through the best quality, pioneering innovations, and a commitment to Switzerland.

To accomplish that goal, a corporate-owned social responsibility team at the top of the hierarchy is not enough. Instead, Swisscom wanted to involve its employees for innovation, feeling the pulse of both the current and future generations. Enter Kickbox.

Kickbox: A Community of Internal Innovators

The name of the program has nothing to do with the sport. Instead, it's about innovation in a way that's as comprehensive as possible. It's a system designed to create new business for the company, while playfully educating employees at the same time. More specifically, Kickbox was founded with three goals in mind:

- **Business Impact,** always focused on finding the next disruptive business case.
- **Cultural Transformation,** specifically through educating employees in a ramified and applied way.
- **Employer Branding,** attract and retain talents due to the trust and support given in that bottom-up innovation program

Neither of these goals, of course, is possible to achieve without scalability. A simple 10-person workshop to find that next business case is not enough to change a culture of 19,000 employees. It also doesn't leave enough room for constructive failure and iteration. That was the reason behind creating the Kickbox Process.

The Tangible, Scalable, and Gamified Kickbox Process

On the surface, the process employed by Kickbox may not be revolutionary. But a closer look reveals just how Swisscom applied generally known innovation concepts in a unique and productive way:

- Everything starts with the **idea submission**, done through an easy-to-use online platform. Every employee can submit an idea, 24 hours a day.

- These raw ideas are not judged in the first place but are moved into the **validation** phase. It's where idea owners prove the value and business case of their idea. But the key here is that, unlike most innovation programs, most ideas actually get validated. The validation process became automated, with scalable resources to help every employee succeed.

- Validated ideas then get **piloted**. Teams find a sponsor, get a budget, and develop an MVP.

- Finally, the best ideas become GoldBoxes. They get **implemented**, and become a part of Swisscom.

It might not be intuitive but for Swisscom, the validation phase becomes the most important part of the process. The ability to say yes, and reward even ideas that don't become GoldBoxes, has played a major role in shifting the culture towards embracing innovation, with every employee feeling they can contribute. The second goal of Kickbox, business impact, only kicks in when projects are piloted and implemented.

Before that, employees are giving every possible resource to succeed. A physical toolbox filled with gadgets and the KICKBOOK help with pitches, while an entire innovation ecosystem allows employees to collaborate with other organizations, book service providers, reach out to possible sponsors and innovation teams to work towards the same goal.

Improving the Process Over Time

Of course, not everything has worked out over time. The innovation team tried GreenBox workshops that were ultimately shelved because employees were not receiving the right information at the right time. Similarly, it found that many of the ideas advanced were solving personal employee problems, rather than broader business problems.

Still, the Kickbox project has been an immense success. Successful GoldBoxes include a mobile smartphone keyboard for blind and visually impaired users, along with a partnership with Swiss Post that allowed customers to more easily return faulty equipment.

Even projects that didn't make it past an earlier stage have led to success, like a climate friendly roaming program that was stopped initially but has re-surfaced as a strategic corporate program. The innovation team behind Kickbox lived what they preached: They themselves went through a corporate spin-out process turning the internal Swisscom program into a product provided to companies around the globe.

Stanley X: Getting Your Innovation Program From Zero to One and Beyond

How does a traditional company that's been in business for almost 200 years build its innovation system? Kevin Lemke, VP of Strategy and Operations at Stanley Black&Decker, sees its success in an autonomous, top-supported business unit like Stanley X.

Kevin Lemke
Vice President, Innovation & Head of Startups – Stanley X at Stanley Black & Decker

Founded in 1843, and the continued result of numerous mergers and acquisitions, Stanley Black&Decker is not necessarily known for its innovation. But in 2014, organizational leadership recognized the need to innovate around its three core businesses of global tools and storage, electronic security, and industrial manufacturing.

The initial result: a digital accelerator, launched in 2015 to find new and innovative solutions around data, analytics, robotics, and other topics. That was followed in 2016 by innovation labs, designed to build on the accelerator to free resources from the constraint of short-term goals and operating rhythms. One year later, the organization added in Stanley Ventures, with the goal to fill gaps in the core portfolio and remain on the forefront of technology.

Each arm showed early successes and put core functions in place, but did not lead to the desired commercialization or reliable processes for innovation. So, in 2018, the organization launched Stanley X, specifically designed to both build on its core capabilities and scale innovations to commercialization.

Today, Stanley X is an independent business unit focused on launching new ventures. Still separate from both the core business units and innovation pieces like Stanley Ventures, the unit is able to build new and disruptive solutions to bring the company forward and thrive for another 200 years.

The mission of Stanley X is threefold: launch new ventures, counter disruption by competitors, and bring innovation into the core of the business.

The Venture Studio Model: 12-week Incubation Process

Stanley X follows a venture studio model. Team members incubate new ideas, validate them, request funding from an independent funding committee, and launch them as either wholly owned subsidiaries of Stanley Black&Decker or spin offs from the core business. In doing so, it's beginning to create a portfolio of businesses, even as innovation labs in each business unit continue to operate.

To accomplish that goal, the venture studio goes into a six-week market opportunity assessment before launching into a twelve-week incubation process:

- 2 days to define a bold hypothesis that estimates what true and acute pain points customers might be facing
- 4 weeks to validate the pain points through comprehensive research, turning assumptions into insights.
- 4 weeks to experiment with potential solutions, using customers to test the value of solving specific pain points.
- 4 weeks to design a prototype or MVP, put a business case around it, and make a go or no-go decision.

Through the entire process, Stanley X embraces human-centered design thinking, coupled with lean startup methodologies. Projects are prioritized using an evolved NPS-like score to ensure only the most accepted and customer-embraced solutions move forward.

4 Focus Areas of Stanley X

In many ways, Stanley X started as an open-ended question, simply looking to find the problems that mattered without many guardrails or constraints. Over the last couple of years, though, that wide-open approach has narrowed itself into four core areas of focus for innovation:

1. Construction Technology
2. Digital Manufacturing
3. Talent Solutions
4. Sustainability

The talent solutions space is particularly relevant to a company traditionally focused on physical goods. After an initial attempt to create project guidance for DIY projects failed because of the free tutorials available in the space, Stanley X was able to find two opportunities for success in this focus area:

- **Surehand,** a talent sourcing platform for industrial work that was ultimately co-founded with some of the product specialists hired initially for the incubation phase.

- **Deephow,** a partnership with an AI-powered video learning platform to bridge the skills gap in manufacturing, construction, and maintenance.

Together, the two ventures have become part of a new north star in the talent solutions space: to create a comprehensive ecosystem of helping skilled professionals better engage with employers and improve their skills.

Lessons Learned

The story of Stanlex X comes with a few important lessons that are relevant for any organization looking to build its own independent innovation business unit.

- A mandate from the top is absolutely vital. Without it, the effort is sure to fail or fall victim to short-term thinking and changes.

- The focus needs to be on problems that matter to customers, not the organization. Focusing on jobs to be done can help organizations develop innovative solutions that customers will actually buy.

- Flexibility on what problems to solve is vital. Rigid instructions can lead to constrained innovation that doesn't actually solve real problems.

- Revenue expectations should be aligned to the strategy. The alternative risks unrealistic leadership expectations that can cause the innovation unit to fail.

- There needs to be freedom to try, fail, and reboot solutions. Nobody likes failure, but failing fast is vital to successful innovation.

It's about embracing uncertainty, and learning from failure to make the next success more likely.

- Capital investments need to come with patience. Innovation doesn't happen overnight, and anyone working in the unit should be able to pivot and try new things without the need for immediate ROI.

- Look to get points on the board. You can define what those points are, from transferring earnings to revenue goals or number of projects in the pipeline. But setting realistic goals helps continued buy-in and maximizes long-term success.

None of that means the innovation unit needs to have all answers and pieces in place before starting. In fact, that's impossible to achieve. Stanley X also found that a dedicated fund is unnecessary, as is complete buy-in across the entire organization. As long as the above points are met, the parameters are set for success.

Three years into its founding, Stanley X is beginning to celebrate its successes. The initial startups have been stood up, but much is still to be done to scale and expand on their success. The goal: real, meaningful revenue for the company that brings them from innovation into the new status quo, making room for new innovations that lead Stanley Black&Decker into the future.

The Story of InGenius – Nestlé's Global Employee-driven Innovation Accelerator

How does a 150-year-old company that also happens to be the largest food and beverage corporation and overall 22nd-largest company in the world continue to innovate? By leveraging the collective power of its more than 352,000 employees. The program supporting that effort is Nestlé InGenius, co-founded by product group manager Nick De Blasio.

Nick de Blasio
Product Group Manager
Employee Innovation at Nestlé

In total, Nestlé's 2,000+ brands and more than 1 billion products require 500 factories, 127,000 stock keeping units, 2,000 warehouses, and 30,000 employees focused in supply chain only. Just seven years ago, all of these areas was still operated largely independently, and manually. In other words, it was a natural starting point for a platform designed to find new ideas to make operations more efficient.

In that same time, a chairman emphasizing innovation and significant advances in digital technologies provided the ideal basis for innovation. So, two employees set out with an idea to prove: what if the employees working within supply chain every day could contribute to improvements within their own areas?

The result was a one-page concept drawing that ultimately became the basis of InGenius. The process outlined a roadmap to success:

- Everyday supply chain employees were the imagineers on the way to success.
- Helping the imagineers connect and ideate around common criteria and guidelines could lead to interesting proofs of concept.
- Each concept could be evaluated in a type of dragon's den of experts and key stakeholders.
- Concepts surviving the dragon's den would get the resources to build prototypes and MVPs.
- Through agile development, concepts would turn into space ships flying all the way to achieve their KPIs.

Some of the terms have changed, but the same general concept roadmap still guides InGenius today. And it all revolves around a key component: crowdsourcing.

Leveraging the Power of Crowdsourcing

The idea behind InGenius is that innovation can come from anywhere, and is in everyone's best interest. That idea became a platform around which the entire organization could rally. The same key elements of crowdsourcing, conceiting, evaluation, exposures, and agile delivery still hold true in the entire structure.

Today, InGenius is a digital platform on which every employee can not just submit ideas, but find similar ideas. Employees can also vote and comment on the ideas of others, each playing a part in bringing the best ideas forward. The platform enabled Nestlé to design solutions around the ideas and insights coming directly from the people with their ears on the ground, and working most closely on the resulting solutions.

In the seven years since its initial concept, InGenius has undoubtedly become more specific. Ideation happens around innovation challenges, based on specific topics presented by unit leaders. Ideation is defined as a 4-week process, at which point the people behind the ideas present them to a panel of experts. Concept development happens over the course of 8 weeks, before an MVP is built within 12 weeks.

It's how 7,000+ ideas get narrowed down to 180 prototypes, which have ended up in 84 MVP pilots to date. The projects coming out of that process have ranged from an ocean container tracker to automatically anticipate supply chain delays, to customer speech analytics designed to improve marketing and customer support. In the COVID-19 pandemic, a Hack COVID19 challenge generated 96 ideas to improve virtual collaboration, improve exercise for sedentary work-from-home employees, and more.

Lessons Learned From a Comprehensive Crowdsourcing Approach

Seven years into InGenius, a few important lessons can help other major organizations leverage a similar approach for internal innovation on an everyday basis:

- Diverse teams, not just in skills and backgrounds but even across different types of brands and business units, can improve idea generation.
- Strict deadlines standardize the process and help to manage quantity.

- Internal open crowdsourcing doesn't just generate ideas, but also helps in filtering and validating these ideas.

- Innovation SEED funding at the discretion of Senior Executives, through Shark Tank-style events, is especially successful when individual investments are relatively low.

At the same time, some challenges continue to require ongoing resolutions. Involving boots on the ground employees still requires convincing middle-tier managers to give up their teams' time on daily operations for responsibilities not necessarily related to their job description. Rewarding dedication beyond the glory of a selected idea is challenging, as is recognition of long-term successes.

And of course, the success of a crowdsourced innovation program still depends on the ability of senior leaders to take risks to improve, rather than playing it safe on the status quo.

Nonetheless, InGenius has proven to be an undoubted success in its first seven years. As the platform continues to iterate on itself to empower its employees, monitoring its future success will undoubtedly uncover future lessons to be learned for other organizations looking to take a similar approach.

To the Moon and Beyond: Cultivating Innovation from Within

Since NASA is filled with innovative people, it only makes sense to tap into the creativity and knowledge that already exists.

Carissa Callini
Leader, NASA@WORK Internal Crowdsourcing Platform at NASA

Carissa Callini supports innovation efforts at KBR and NASA Johnson Space Center. As part of this work, she is a member of NASA's Center of Excellence for Collaborative Innovation (CoECI). CoECI was asked to bring different innovation concepts and methodologies to NASA and the federal government.

NASA@WORK is NASA's internal crowdsourcing platform where anyone in NASA can post a problem or question and get ideas and feedback from across the agency. This allows access and knowledge sharing to NASA employees across geographic regions and specialties. This program engages the workforce through challenges, discussion questions, and innovation calls. Technical and non-technical teams can turn their problems into mini-competitions with awards at the end.

What is a Challenge?

The first step is to identify what qualifies as a challenge. You can replace the word challenge with problem to answer this

question. Challenges can be big, small, broad, or specific. Challenges are anything that create an issue such as processes that take too much time or things that cost a lot of money. Challenges should be limited in scope, specific, and actionable.

Developing the Challenge

NASA encourages challenge owners to start with the five whys to determine the root cause of the problem, and simply requires repetition of the question "why?" Challenge creators should also ask: "What has been done before?" and "Why hasn't this been solved?" All of this goes into the challenge for the solvers to see. The typical NASA practice is to keep challenges open for four to six weeks to keep things moving and fresh and to give a sense of urgency to those that are thinking about submitting.

Up to two winners are awarded at the end of a challenge which includes recognition and awards that are unique to NASA and crowdsourced. NASA also identified that managerial recognition was a key driver so this has been integrated into the recognition processes for challenge owners and challenge winners.

An example of a recent, successful challenge was a call to action for the COVID-19 response, including ideas relating to personal protective equipment, ventilation devices, and monitoring or forecasting the virus. Seven ideas have been implemented including advanced research for treatments, new virus tracking apps, and sensors for virus detection.

Key Takeaways

As you look to implement internal challenges in your company, consider these takeaways from NASA@WORK:

- Take away as much friction as possible. Guide challenge owners through every step
- Set expectations at the beginning
- Encourage active participation by the challenge ownersduring the challenge
- Follow-up! How much of an impact does the idea make?
- Be flexible and willing to evolve

You can use challenges at any point: at the beginning of a project, when you need surge capacity, when you are stuck, or when you want to verify you are on the right path.

Top Ten Lessons Learned Standing Up An Incubator Within a Corporation

Nicole Walker, Senior. Director Innovation Incubator at Blue Cross and Blue Shield of Illinois, Montana, New Mexico, Oklahoma & Texas summarizes her lessons learned from leading employees facing a corporate incubator.

Nicole Walker
Sr. Director, Innovation Incubator at Blue Cross and Blue Shield of Illinois, Montana, New Mexico, Oklahoma & Texas

10: Develop a Foundational Process and Always Iterate

When the incubator came online, it was essential to engage in a boutique design firm to help us build the foundational process. This process involved three phases — research and concept development, prototyping, and finally, piloting.

In addition, there were also checkpoints between each stage to ensure strategic alignment was in place and that the right opportunities were being incubated. However, when taking on this step, it is also important to remember that you also need to iterate or empower the team to identify opportunities for innovation.

9: Hire the Right Team

When taking on the incubation project, it was assumed that it needed strong project managers who were proficient at driving ideas to different milestones. However, as the process evolved and ideas continued to be pushed, it was discovered that the right team is what matters since these individuals are responsible for bringing the concept to life.

8: Establish a Funding Model

The eighth step involves establishing a funding model that supports the exploration of innovation pursuits, which means that corporations need to create a fund that enables teams to pursue, develop, and deliver strategic priorities.

7: Innovate Beyond the Core

There are often more ideas at the company's start than the capacity available to pursue these ideas as portfolio priorities and incubator pursuits. And although, it is a natural inclination for the enterprise to want to bring forward ideas that are on the continuous improvement side. It is also essential to educate the enterprise on problems and ideas that will push the company beyond the core and help it develop game-changing capabilities.

As a result, teams must reference their ambition metrics to ensure that they are really moving beyond the core to innovate in that adjacent space, where they can identify new capabilities for existing customers.

6: Identify Executive Producers

The role of an executive producer is to engage between each phase of the incubator and decide whether an idea should graduate into the next phase. Consequently, these individuals are often held accountable for ensuring strategic alignment and ensuring that the company is incubating the right opportunities throughout the process.

5: Ensure Strategic Line of Sight

Individuals need to make sure that they are not innovating for innovation's sake, but rather they are actually solving critical problems. And the way to accomplish this goal is through a strategic line of sight, which is the ability to draw a clear line of sight to assure that a team is incubating the right idea that is aligned with the corporate priorities.

4: Bring Employees Along For the Ride

Employees cannot just drop off an idea and pick it up at the end of the pilot phase. Instead, these employees have to be along for the whole ride. When employees are engaged with each other and the process, they are positioned successfully to create exceptional capabilities that graduate out of the incubator and advance that strategy forward.

3: Create Capacity to Deliver Proof of Concepts Quickly

One of the main phases where concepts lose steam is the pilot phase because this is where we are taking a prototype of a concept and making it a working proof of a concept that can live beyond our walls.

As a result, one solution to this issue was to create an innovation delivery team that was focused explicitly on this pilot base to deliver

proof of concepts quickly, since the faster you can get the proof concept to the market, the quicker you will know if you've incubated something that could be positioned for success.

2: Engage the End-User Throughout the Process

The incubator process from beginning to end is anchored in the human-centered design process, meaning that it is important to engage users throughout the process to ensure that companies create robust solutions to solve their problems.

1: Know When to Exit

When ideas lose strategic alignment, and the market moves faster than you can incubate a concept, it is essential to know when to let go of the idea and ensure that you and your team are not emotionally connected to these ideas.

This way, you can remain dedicated to that strategic line of sight. As a result, if the enterprise is going in a different direction than what you're incubating, it's not necessarily a good use of time or resources to continue to explore that idea.

What Makes Incubation Efforts Successful

Linda Elkins, Head of Gore Innovation Center, and Puja Samuel, lead at AreaX at JPMorgan Chase & Co., discuss the structure of their innovation centers and what makes them successful.

Linda Elkins & Puja Samuel
Chief Technical Officer at W.L. Gore Innovation Center / Digital Innovation, AreaX at JPMorgan Chase & Co.

> *What is the structure of your innovation center?*

Linda: The idea behind the innovation center started in 2015, and it took about two years to create the physical space and bring on a team. We did a significant amount of research on what other innovation centers were doing as well as understand what Gore leadership wanted the impact of the innovation center to be.

What we learned over the first three years is that it's challenging to be an outpost and maintain a close connection with our innovation teams around the globe that represent such diverse industries. It was much easier to innovate when we pivoted from trying to be a resource to the entire organization to instead driving technology in a focused area. We want to understand a white space, an area that Gore isn't in, and leverage partners and technology to see if there is a business opportunity there.

Puja: We started AreaX in 2018 with the thought of how to accelerate product delivery. So it started by establishing the execution path first. Then we brought in the talent who could focus on the incubation piece and follow through on the execution. Now we have an end-to-end operation that can do everything from idea sourcing to idea execution and delivery.

> *In your current model, where is room for improvement?*

Puja: We're very closely aligned to the business unit, but we're not a part of it. That's a positive for our specific targets because the model is optimized to handle adjacent things. We focus on something we can bring to market today rather than a moonshot. To get traction beyond the initial stage of incubation, it's important that we drive things that are usable today or tomorrow. When innovations are moonshot-focused, it's harder for a business to wrap its hands around them.

Linda: We started by looking to engage with each of the divisions which represent very different industries, but it proved to be a challenging model. That has to do with the structure of the organization, as Gore is known for its lattice organizational structure. That means there is no strong top-down push for the divisions to work with the innovation center. What worked better for us was for our team to look for potential new opportunities instead of acting as a capability.

> *How do you decide what to start working on?*

Puja: It's both a proactive and reactive process. If people come in with ideas, we'll go through layers of vetting to decide if it has potential. If it does, we'll shape it and pitch it to the investors. That's the stage-gate to proceed to further incubation. Proactively, we attack the white space to look for ideas and areas of opportunity. We might go to the business areas and have discovery sessions with them where we proactively ideate for areas to target.

Linda: We use the lean cohort process, so we do an eight-week sprint where we do a significant amount of discovery work. For example, we might want to understand an opportunity in biosensing. We look at the market, what the opportunity is, and what technology we have that we can leverage. We come up with an idea and then move it through that process to determine if this is an opportunity that warrants further research and resources.

> *How do you measure the impact of the innovation center?*

Linda: We've evolved our metrics over the last three years. At one point we arrived at six. Some of them were volume metrics, looking at things like how many events we had or how many prototypes we made in the lab. Then we had a series of metrics about how many ideas we brought in, how many were assessed, and how many were adopted by a division. The adoption metric is the key metric. We could look at 5,000 startups but if they aren't generating output, there is no value-add for the business. So, the volume-based metrics show how we spend our time, but we are really trying to get to those impact metrics.

Puja: We track engagement, depth of reach, and how many ideas flow into the system. We have those metrics for the overall ideation program. When we get down to the product level, though, the KPIs become more bespoke based on what we're developing. Those metrics might be user adoption, user engagement, how many people we onboarded, or how much repeat client interest there was. When we meet those stages of success, we know we want to put more funding into it. If we don't meet those metrics, then it's time to either recalibrate or kill it.

> *What's the biggest lesson you've learned on this journey?*

Linda: Gore has about 11,000 associates worldwide. One group of five can have a huge impact, but we need to set realistic expectations. If we have a clear focus, we'll be more effective and have better outcomes. We have to adapt, know how to influence, and how to bring in the new technology and business models that will make a difference.

Puja: There are so many models for innovation, and what's going to work for your organization is unique. There are parts and pieces of the innovation system that work across the board, but there is a uniqueness about how it works for you. You need to have flexibility in the program, so you can change depending on what the business needs. If you want to survive, continue to reinvent the system and your structure as the organization evolves.

Fostering Innovation in a Large Enterprise: IBM's Incubator Success

Steven Astorino is the Vice President of Development for IBM Data and AI and IBM Canada Lab Director which includes leading research and development within Canada. IBM recognizes that its people are the biggest asset of the company and has worked to empower them to innovate. One mechanism to enable innovation by employees is its Area 631 incubator.

Steven Astorino
Vice President of Development, Data and AI & Canada Lab Director at IBM

Area 631: IBM's Made-In-Canada Incubator

This incubator started in Canada but has since spread globally. It selects six innovators to focus on a specific challenge for three months with the goal of one breakthrough — hence the name 631. The goal is to create a small, focused team, operating as a start-up, who will grow an idea into an initial prototype, with the goal of kick-starting a new IBM offering.

In developing Area 631, the goal was to be light on process and heavy on support. For three months, the group should forget they are part of a large enterprise. There are no rules or roadblocks to inhibit creativity. The teams have access to all the tools they need, as well as a team of executive mentors and sponsors who provide insight and advice throughout the residency. The innovators come from all different job roles in a lab with different experience levels and tenure.

To give you a sense of what they work on, here are two project examples:

Log Prophet: This was the first Area 631 project and is a tool infused with Machine Learning and Deep Learning models, able to predict pending IT events and alert stakeholders of an impending failure. The goal was to create a system that monitors services based on metrics and log outputs, detects patterns across historical and real-time data, predicts system status anomalies and potential failures, notifies the correct contact to take action, provides Root Cause Analysis, and takes real-time user feedback. The project was picked up by a business unit and ultimately resulted in the product WatsonAIOps.

Sales Configurator: This project came out of the Silicon Valley Lab to help sales teams by creating a visual tool that helps identify the necessary part numbers to be fed into the IBM Software Quote and Order system (SQO) to generate sales quotes. This replaced a complicated spreadsheet used by IBM sellers. This project was engaged in by team members remotely during the pandemic.

Benefits of Area 631

The incubator has been running for two years with eight incubators worldwide. It has proven that it provides several benefits to the company:

- Achieving tangible business results is the driving force behind the projects selected to participate
- Provides client and partner engagement opportunities. Area 631 presents an opportunity to address client-specific problems and engage with them throughout the process.
- Improves employee engagement and retention by providing a start-up experience within IBM with improved career trajectory, opportunity to boost patent portfolio, benefit from mentorship with senior executives and technical staff
- Integrates speed and disruption into a large corporation allowing innovation to happen more quickly, which provides the opportunity to get to market faster and disrupt

The recipe for Area 631's success includes freedom for the teams involved, 100% focus by the employees, which requires manager alignment, thinking big and starting small, and providing constant support and feedback throughout the process.

Area 631 has proven such a success that IBM recently introduced a new innovation engine called IBM Hyper Blue which is a start-up incubator, designed to develop and fund the next wave of cloud-based AI companies within IBM. IBM innovators get the time and resources they need to build and run a multi-million-dollar AI business.

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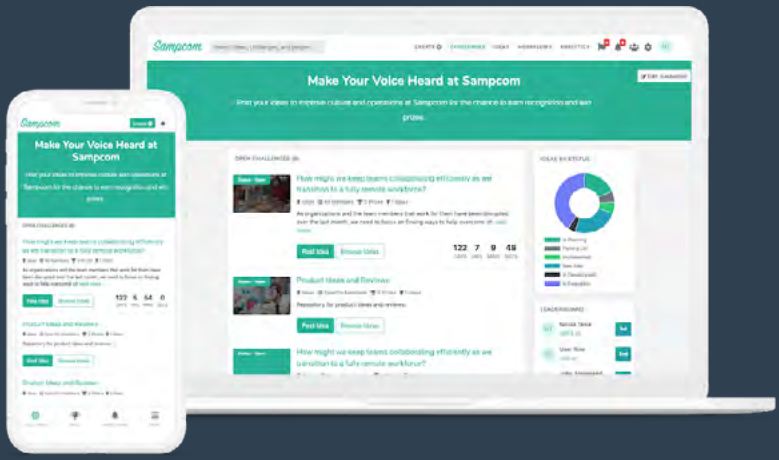

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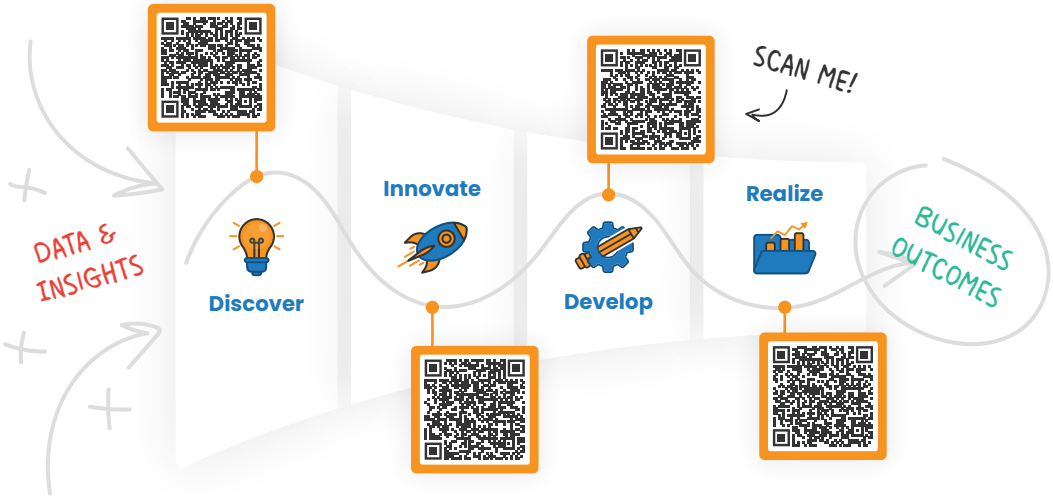

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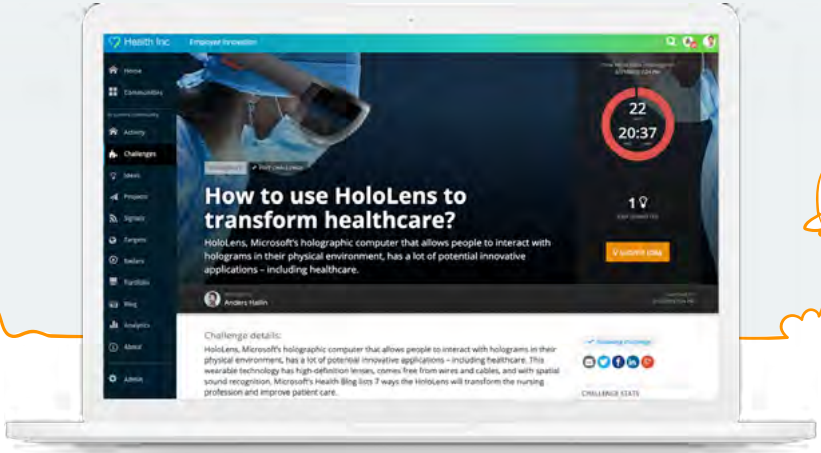

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Business Design & Venture Building

The Offer You Can't Refuse: The Future of Customer Experience

How can you differentiate yourself in a world of differentiation? The COVID-19 pandemic has accelerated processes that made former opportunities to stand apart to potential customers the new norm.

Steven van Belleghem
International Keynote Speaker, Author and Founder at Nexxworks

Steven Van Belleghem, author and customer experience expert, has built a model to help companies create an offer their customers can't refuse, helping them stand apart from their competition in this brave new world.

Good Product and Service: The Minimum Baseline

At the base of the model is the need for the right product, service, and price. The crucial point: this is a minimum baseline, rather than an ultimate goal. Companies without a great product or service, or not offering that service at the right price, will not be able to compete. But even those that have it need quite a few other components to truly succeed in building customer relationships.

Digital Convenience: A New Minimum Demand

As recently as 2019, digital experience was a differentiator. Thanks to the rapid acceleration of digital necessities due to COVID-19, it has become a commodity. Customers now expect every company they interact with to offer digital components, and that expectation will only accelerate in the near future.

At the same time, we're only at the beginning of digital innovation, particularly in the realm of artificial intelligence. Voice assistants, for instance, are best to simply tell jokes or play music today. But, if the iPhone is any indication, voice assistance are destined to become true partners in people's lives.

Meanwhile, AI is beginning to change customer experience behind the scenes. At its best, it becomes IA – intelligence augmented, where software and tools boost the productivity of human teams. Already, a San Francisco-based company called Digital Genius can dive into customer service data, translate into a mathematical model, formulates potential answers, and presents them to human service agents. Agents can use parts of it, personalize the message, and maximize their response time because the most time-intensive pieces are taken away.

The front office has also seen major AI benefits. Shein, for example, has propelled itself into the biggest fashion retail website around the world thanks to using real-time software that can rapidly identify markets, design fashion for these markets, and adopt local audience behaviors.

The interface of the future will share four characteristics. It will be invisible, fully personalized, require zero customer effort, and solve problems before they surface. That, in turn, will raise customer expectations across industries to turn digital convenience into an absolute must.

Becoming a Partner in Your Customers' Lives

In today's environment, we're far beyond basic

product benefits or sales goals. Companies can only succeed when they're always around, adding value at the exact right moment.

It's not just about being present. It's about bringing positive value, making a difference even if that difference isn't directly connected to customer goals.

That's how the Dutch insurance company Centraal Beheer has transformed itself into a positive influence in their customers' lives. Rather than simply offering insurance, the company's goal is to become a partner in sustainable living. It helps with solar panel planning and installation, and offers handyman services in an Uber-type peer-to-peer format. Everyone in the Netherlands can participate, creating more insurance opportunities for the future. But that's not because the goal is to sell insurance; it's because the goal is to become a true partner in their customers' lives.

That, in turn, requires talking to customers. Quantitative audience research is great, but it cannot replace the conversations with customers that helps companies understand feelings, emotions, and potential problems. Everyone in a decision-making capacity can benefit from these direct customer conversations.

Changing Your World By Adding Value to Society

More and more, people are looking for brands and organizations to take a stand. In a world with challenges ranging from racism to climate change, the need for action is only becoming more urgent. Business leaders who can proactively participate in that action can make a major difference in building customer relationships.

Take IKEA as an example. Every year, during Black Friday, IKEA hosts a Buy Back Friday event in which customers can sell old and gently-used furniture back to their stores. The company cleans it up, and gives it a second life. Through this circular economy, the customers and company equally contribute to the journey.

In today's world of heightened customer expectations, that's a major bonus. Combining it with the basic needs to offer great products and digital convenience, along with the ability to become a partner in people's lives, can make it a powerful strategy that allows any brand to make an offer that customers cannot refuse.

How Business Model Innovation Can Help Your Firm Embrace New Opportunities

Pop quiz: Which of the following represents business model innovation?

A. Robot laborers
B. Plant-based meat substitutes
C. An online platform like Apple's

Christoph Zott
Professor Of Entrepreneurship at IESE Business School

Answer: C. While A may result in efficiency gains, and B may be a popular new product, only C represents a fundamental change in the way business is being conducted, in this case for a consumer electronics company like Apple.

Business model innovation, or BMI, boils down to four things: (1) what you do (i.e., new business activities); (2) how you do it (i.e., new ways of linking the activities); (3) who does it (i.e., new activity governance and partnerships); and (4) why the interplay of these elements allows for more value creation and capture (e.g., through new revenue models). As I point out in my new book, Business Model Innovation Strategy (Wiley, 2021), it's only when you start reconfiguring these four and actually change the activity system of your business that you achieve BMI, rather than just tinkering around with individual activities, without changing the system, the way A and B do.

In his research, Christoph Zott, Professor and Head of the Entrepreneurship Department at IESE Business School, finds BMI offers four main advantages:

1. It complements product and process innovations, creating positive synergistic effects

2. It can be cost effective, since it does not necessarily require a large upfront investment

3. It can serve as an effective barrier to imitation and therefore create a competitive advantage

4. It can be a disruptive force in an industry, creating new markets and/or uncovering new opportunities in established ones.

To engage in BMI, you first need to understand your current business model. Try this exercise: Write one paragraph about how your firm's business model works. In addition to what (activities), who (carries them out) and how (in what order they're carried out), remember to briefly explain why (the main logic of value creation). You may find it helpful to draw it out, too. Armed with that, use these tips to start designing a new model:

Write a problem statement. Thinking of prospective customers' goals and needs, write out a problem they might have (from their point of view, not your own).

Formulate a questionnaire. Don't assume you know how to address the problem yet. Ask prospective customers, as well as employees, suppliers and other stakeholders, to probe the nature of the problem.

Consider successful templates. Examine how other business models out there address the problem. Don't restrict your search to your own industry but look farther afield to learn new (to you) templates. When benchmarking and copying elements from other business models, don't forget that things can and often should be redesigned with novel features.

Scan the environment. Particularly in times of change, like now, do a PEST (Political, Economic, Social and Technological) analysis. Imagine future scenarios, using strategic foresight tools to help you think about future possibilities.

Seek out valuable partnerships. The previous steps may lead you to identify new partners whose capabilities can fill gaps in your own.

Redeploy resources and capabilities. Sometimes it may be necessary to pivot. Going through this exercise of thinking about your business model in abstract, conceptual terms helps in identifying elements of your existing model that could be applied to a new domain. A strategy workshop, or leveraging the views of outsiders, can give you a healthy distance, so you don't get so mired in the day-to-day that you no longer see the forest for the trees.

Experiment. Once a new way of doing business has been sketched out, it should be possible to engage in some low-cost experimentation. Experiments not only serve to test your hypotheses, they also help overcome inertia in well-established firms.

Test assumptions. There are many questions to ask: Is there demand? Will your suppliers find value in working with you? Is the environment changing in a way that's compatible with your medium-term plans? Here is where a Test Assumption Matrix (TAM) can come in handy. In a TAM table, each row highlights critical assumptions of the business model, while each column contains milestones, using low-cost experiments. Make it dynamic: Changing the order of the rows can highlight your changing priorities, based on the results recorded in your columns. Empirical evidence from your tests can validate your model and mitigate risk, tackling the business model one piece at time.

In this process, you can ask yourself these six questions:

1. What perceived customer needs can be satisfied through the new business model design?

2. What novel activities are needed to satisfy these perceived needs?

3. How could the required activities be linked to each other in novel ways?

4. Who should perform each of the activities that are part of the business model (e.g., the focal firm or a partner) and what novel governance arrangements could enable this structure?

5. How can value be created in novel ways through the business model for each of the participants?

6. What novel revenue model fits with the firm's business model to appropriate part of the total value it helps create?

When presenting BMI in your organization, be conscious of how you do it. When framed as a response to a competitive threat, people tend to get more rigid, which restricts information, narrows attention and reduces channels, resulting in inertia. When framed as a response to a market opportunity, people react more positively under the expectation of gain, which motivates change and promotes innovation.

Opportunity and threat perceptions act as important cognitive antecedents to business model change and innovation.

How to Nurture the Innovator's Gift

Every day, Leanstack Founder and CEO Ash Maurya runs into what he considers the Innovator's Bias: startups and established organizations try to apply their existing or new solutions to see what customer problems they can solve. But that introduces a simple problem.If the solution is a hammer, everything starts to look like a nail.

Ash Maurya
Founder & CEO at LEANSTACK

It's a way of thinking that permeates startup culture, and innovation in general. Innovators build an MVP, measure customer reactions, incrementally improve their product to fit those reactions, and eventually put a better product to market. But too often, that cycle doesn't work.

Competition and simple customer fatigue mean that the product feedback may never come. Instead of reacting, and providing feedback, the audience just leaves. Now what?

New experiments become guesswork. The cycle is stuck in the build phase, without a product ever successfully making it to market. Fortunately, there's a solution to this build trap: the counterpoint to Innovator's Bias, which Ash calls the Innovator's Gift.

The Basics of the Innovator's Gift

At its core, the Innovator's Gift is simple. It's the ability to avoid any solutions-based biased, instead looking at customer problems and finding new, irresistible ways to solve these problems.

Underlying that gift is the basic truth that fundamentally, customers don't care about solutions. They care about achieving outcomes that are beneficial to them. The best product get a job done for a customer, and does so in a way that's better than anything that has existed previously.

Customers don't wake up asking themselves what solutions to buy. They wake up wanting to improve their lives, removing obstacles or achieving desired outcomes in the process.

You might have the best solution in the world, based on the best technology in the world or even a patent that no one else recognizes. But if that solution isn't solving a problem that your customers recognize as a problem, nothing can make your product successful.

Paradoxically, for innovative solutions, the problems need to be old and familiar, and originate from current solutions the customers already use.

Getting there is not simple. But it is, at its core, a relatively straightforward solution. These 4 steps can help you get there.

Step 1: Understand and Prioritize Customer Problems

Naturally, in this approach, you need to understand where your customers' problems come from. Unfortunately, though, they won't always tell you. In fact, they might not always know what it is.

Talking to your customers is crucial. But, in the words of Steve Jobs, it's not the customers' job to know what they want. They might also not trust you enough to tell you yet. So, instead of asking what their problem is, ask them to describe their current behaviors. Observe their struggles with current solutions.

Consider the innovation of ride sharing as an example. Uber never asked its audience what was wrong with taxis. If it had, the answers might have revolved around them being dirty, drivers being rude, and so on.

Instead, Uber observed the audience. It found that especially for time-sensitive appointments like flights, drivers were simply not trusting taxi companies to be on time. Even a two-minute delay would cause stress, as was the lack of advance knowledge what kind of car they would get for their fare. So, Uber built an app specifically designed to remove these nuisances, causing massive switching in the process.

Before cars, customers would have just asked for faster horses. And yes, automobiles presented a more innovative solution that solved their problem in a specific, considerable way.

Step 2: Define Potential Solutions

Once you have a strong idea of your customers' problem, it's time to think about the solution. Here, one thing is crucial to keep in mind: your solution has to be good enough to actually cause a switch, and that switch is typically not incremental.

That doesn't necessarily mean functionally better. In fact, physical features don't tend to mean much, unless your customers are very sophisticated or specifically looking for a functional outcome.

Instead, it's about the emotional needs, and the emotional jobs your solution can fulfill. Achieving a desired outcome is always an emotional process at heart.

Think about a solution that helps businesses build better reporting. The bigger question, then, has to be what users will actually be able to do with the report. If you can sell them on the fact that they will improve their meeting, raise more funding, or get the green light on more projects, their chances of switching increase dramatically.

It's important to keep in mind, too, that solutions can be improvements over your own existing products. No product is perfect, and the ability to recognize when to improve on your own product has helped companies like Apple and 3M stay at the top of their market.

Step 3: Craft an Offer

With a solution in place, it's time to actually craft the offer. This step is about finding the switching trigger that causes your audience to believe in your potential solution so much, they'll be ready to move.

It's about overcoming the natural inertia everyone faces. All things being equal, the incumbent product always wins. Only a solution that's much better than what was previously offered can cause the switch. Think 3M, which offered a significantly better solution to hanging up artwork compared to the traditional drill bit and nails.

It's the type of presentation that's impossible to ignore; a mafia offer that the audience simply cannot refuse. They need to react enthusiastically, with the problem laid bare and current solution to that problem suddenly no longer adequate.

In that scenario, it helps to bring in the competition. Actively comparing your solution to the existing one takes away your customers' temptation to do the same, allowing you to paint your solution in just the right light compared to its current alternatives.

Step 4: Build the MVP

At this point, we finally get to the step that most startups and innovators try to start with. The MVP is still important, but placing it last allows you to build only products your audience has already actively endorsed. You have received a strong indication that the MVP will get interest because it solves an actual problem.

It doesn't always have to be breakthrough innovation. But it should solve a real problem, and do so in a way that's significantly (and emotionally) better enough to cause a massive switch.

Design Like You Are Right, Test Like You Are Wrong: How to Lead Innovation by Asking the Right Questions at the Right Time

When leading innovation, the first step is creating the context where winning ideas emerge because, as a leader, you understand that you cannot pick the winning idea. Tendayi Viki, Associate Partner at Strategyzer and author of Pirates in the Navy, provides a new toolbox for leaders to effectively coach teams for successful innovation.

Tendayi Viki
Associate Partner at Strategyzer and author of Pirates in the Navy

First, leadership must understand that innovation is a "wicked problem" and that linear questions are bad for successful innovation. Wicked problems are hard to specify and describe, and complex to solve, with no single best solution because the requirements are continuously changing.

Since "wicked problems" do not have a finite set of potential solutions, there are no right or wrong solutions but rather good or bad ones. Therefore, leaders must stop looking for a right or wrong way to address problems and push their team to identify better, innovative solutions.

Leading an Innovation Team

At the heart of leading innovation, it is about asking the right questions at the right time.

1. **Inspire breakthrough business design:** You must push boundaries to allow your team to arrive at breakthrough designs instead of keeping them within familiar grounds that you know already works. To do this, avoid linear questions based on what is already known and push to come up with the craziest idea.

2. **Ensure progress towards value creation:** Ask the team to identify what has to be true within and outside the company for the crazy idea to work. Then, the testing and iterating process begins.

3. **Design like you are right, test like you are wrong:** Use David Bland's illustration of business design principles broken into two intersecting circles, Design and Test phases. On the Design side, the process is a continuum: Ideate > Business Prototype > Assess. At the Assess point, leaders need to curb their inclination to question how good the idea is—the focus should be on whether the idea is breakthrough enough. If not, then the design iteration needs to start over. Only after you've arrived at an innovative idea can you move to the Test phase.

The Test side is another continuum: Hypothesize > Learn > Experiment. Here you question what it would take for the idea to work. And you give the team the time, resources and space to test their ideas. Over time they can use the lessons they learn to return to the Design phase.

Thinking Beyond the Current Business Model

Here's how innovation leaders can coach their teams to think outside the box and iterate through the Design and Test phases.

- Remember: the mantra is to NOT fall in love with your first idea. You want to trigger a thought process that will result in multiple prototypes.
- Inspire Front Stage Innovation. Use trigger questions to coach the teams along the business model canvas, focusing on:
  - Market Explorers: How can we tap into new, untapped, underserved markets with large potential?
  - Channel Kings: How can we increase market access and build strong and direct channels to our customers?
  - Gravity Creators: How can we make it difficult for customers to leave by increasing switching costs in a positive way?
- Drive Backstage Innovation. This means focusing on your key resources, activities, and partners.
  - Resource Castles: How can we make difficult-to-copy resources a key pillar of our business model?
  - Activity Differentiator: How can we create significantly more value for customers by performing new activities or configuring activities in innovative ways?
  - Scalers: What can we do differently to make our business model more scalable (e.g., eliminate resource and activity bottlenecks)?
- Stimulate Profit-Formula Innovation. Continue to push the design, this time focusing on how it can be profitable.
  - Revenue Differentiators: Which new revenue streams or pricing mechanisms can we introduce to capture more value from our customers or unlock profitable markets?
  - Cost Differentiators: Can we change our cost structure significantly by creating and driving value with different and differently configured resources and activities?
  - Margin Masters: How can we find ways to eliminate the costliest aspects of our business model and focus on value that matters to customers for which they are willing to pay a higher price?

Keep in mind that no one has the time or money to run experiments for the sake of them. The point of all of this is to reduce risk, and the iterations of design and testing get us closer and closer to a business model that will work.

The Business Model Canvas helps map hypotheses and prioritize them as important vs. unimportant, evidence vs. no evidence, always asking what needs to be true for the idea to work. At this stage, you can begin to measure expected profitability against innovation risk.

Great intrapreneurs already have an innate sense for this balance, but leaders can model it using the Innovation Project Scorecard, which measures:

- Strategic fit within organization
- Opportunity in the marketplace
- Risk reduction
  - Is this feasible? Can it be done with our key partners, activities, and resources?
  - Is this desirable? Should it be done, examining the value proposition based on our customer relationships segments?
  - Is this viable? Can it be done profitability?

Staying on Track

It's again crucial for the innovation leader and their teams to accept that there are no finite solutions or correct answers and that at any time in the process, any stage may alter another channel or differentiator.

Asking teams to go out and run experiments to validate or invalidate opportunities is the complete opposite of traditional work, where you're solving problems and fixing things. It's no surprise that leaders feel lost when coaching teams during this period of seemingly endless exploration.

As a leader, you can stay on track by measuring progress with these guiding questions:

1. Is the project idea aligned to strategic goals?
2. Is the business model described well, or do you need more information?
3. Is it clear how much progress the team has made so far in testing hypotheses?
4. Has the team identified the right hypotheses to test next, or is anything being missed?
5. Will the experiments produce the kind of evidence that will allow you to make informed decisions later?
6. Is there a project committed to driving the idea forward?
7. Has the team made reasonable requests in terms of budget and resources given the stage in the innovation journey?
8. Are you and the company committed to supporting the team's next steps?

How To Test New Business Ideas

In the past five years, most of the corporate innovation labs or programs have failed to deliver any scalable business models.

Narjeet Soni
Product Strategist &
Co-Founder at Lean Apps

Due to these failures, corporate management has begun to realize that corporations have been reporting "vanity metrics" in what's known as "innovation theater."

When engaging in "innovation theater," corporations show off numbers that don't reflect their actual growth or innovation. They may have been launching new products, but there was no value delivered to the customer at the end of the day.

The basic problem is that these innovation programs didn't have enough ideas to go through the funnel. Working with only five to ten ideas a year, their possibilities for success were very low. To make matters worse, they did not test their ideas.

The results?

The VC data shows these "innovation labs" were actually making:

- Products nobody wanted
- Valuable products that were not profitable
- Profitable products that were not scalable

At the end of the day, all their efforts were producing little to no ROI.

But it doesn't have to be this way. By making small investments and testing hundreds of ideas a year at a very fast pace, you can determine early on if any of them have a scalable business idea.

In order to succeed with this approach, Narjeet Soni, CEO and Innovation Strategist at LeanApps, suggests you follow these steps.

Step 1: Collect and align ideas

Check in with different parts of the organization and gather data. Ensure all ideas are aligned with the overall innovation strategy.

Step 2: Test ideas

Test ideas without writing a single line of code. This prevents you from wasting time on ideas that will not lead to ROI.

Step 3: Define MVP

Create a design prototype and build the product.

Step 4: Develop a "Throwaway" MVP

This MVP is intended for you to use for learning, not to scale.

During this phase, the focus is on acquiring users, making sure they're active, and converting them to paying users. Learn what channels are working for you and what the "ah-ha" moments are for your users.

Only once you've done that are you ready to scale.

Step 5: Scale Up

Involve the core business to begin scaling.

Of course, all of this depends on the ability to test innovative ideas at speed.

How to Discard Business Ideas by Rapid Testing and Experimentation

Opinions alone don't help you validate your ideas. For that, you will need to pinpoint actual consumer behavior.

For example, while 57% of people say they would like to see healthier options on menus, only 3% actually choose from among the healthier menu items when given the option.

Describe the Idea

Define your idea in one sentence, beginning with a "we believe" statement: *We believe "A" (the target market) has "B" (a problem) and will do "C" (an action).*

From there, you create a hypothesis: *"X%" (% of group) of "Y" (target market) will do "Z" (action).*

In considering the problem, you can't just consider that the problem exists, but you must know why the problem exists.

- What are the causes leading to the problem?
- What are the consequences if it's not solved?
- What will the future look like if the problem is solved/not solved?

These questions will help you form your value proposition.

From there, you will

- Define the customer segment
- Complete assumption mapping (including desirability, feasibility, etc.)

None of this evidence is opinion-based. This helps you make more rapid decisions.

Evidence helps a team decide quickly, especially after critical assumptions have been filtered through concrete evidence.

Decide as a Team: Kill Idea, Invest, or Experiment More?

Even with evidence, making decisions as a team can be challenging. That's where an evidence meter comes in handy.

An evidence meter is an experiment framework in which you can define the idea based on how likely it is to succeed, from "very unlikely" to "highly likely."

If you have eight experiments total, and six experiments tell you your idea will not succeed, you and your team can see that the idea is "very unlikely" to succeed. Killing the idea is barely a question. However, if experiments say that your idea is "very likely" to succeed, you and your team can move forward and pivot till the idea has been proven likely to profit.

Rely on Objective Decision-Making

With clear evidence in hand, decision-making on the management level becomes increasingly objective. Formulas, calculations, and experiments can offer a converged value of the probability for the success of your idea.

And any false positive / false negatives are covered in this, because if you do enough experimentation, you can observe a pattern. Though there is still a human element involved in decision-making, this process can help you make more objective and effective decisions.

Eventually, this approach will make sure you make decisions based on data- not opinions, vastly increasing your chances of success (and delivering a decent ROI for your company's investments).

The Serial Experimentation Approach to Venture Evolutions

To arrive at investable businesses with great products that can scale, MING Labs have honed their approach to serial experimentation in moving forward new ventures holistically. Their approach includes using storytelling from the start, having strong assumptions, and experimenting and pivoting the whole venture concept, to recognizing that every corporation has a different risk tolerance.

Sebastian Müller
COO & Co-Founder at MING Labs

Taking these insights into account, they created the serial experimentation approach to increase the success rate of building a venture. MING's COO and Co-Founder Sebastian Müller shares some of the tips and tools that have helped them to build over 20 startups and over 25 corporate ventures in the last decade.

Opportunity Backlog & Unpacking

Looking at the process from the beginning, the venture team starts by having a backlog of opportunities already in place that they can start with. This could be through mapping those opportunities, looking at mega trends, at weak signals, and having done some research. After this ground work, the first thing they do is to unpack those opportunities to understand if the existing research is detailed enough to move forward or if additional discovery is needed.

Do we need to do more interviews? Do we need to run more surveys to collect data points?

Once enough information is available, then they brainstorm some "How Might We" statements. It's important to provide enough space and time to look at the problem from different angles and try to come up with a bunch of different statements. The idea is to have a few interesting problem framings to really understand the problem statement in detail.

Venture Concepting & Storytelling

Moving on to the phase of venture concepting, it is all about brainstorming. Doing ideation, market research, context switching and similar exercises, the team finds potential solutions and builds a marketplace of their top ideas. Each team member is then challenged to construct a concept out of them, including a name, tagline, and business model.

Here is where storytelling comes in: the whole concept, the target customer, the value proposition, the technology. This allows the team to more clearly communicate their vision, which is key to getting buy-in from stakeholders. And don't worry. As we're still in the early stages, the idea can still be quite rough, but all the information should already be there. Then you can start evolving the idea, looking at it as a whole business instead of an isolated product or service.

To complete concepting the venture, the team evaluates it by scrutinizing every iteration against key strategic dimensions. What is the concept's strategic fit, its business impact, or its pioneering factor? Using a spider chart, you can compare different concepts against each other on a level where ventures are inherently a bit difficult to compare. Once that's done, they look at the validation progress where they focus on desirability, feasibility, and viability to validate assumptions on a progressive scale of 0-100%.

Once you've established your story, you can start probing the concept by inviting other stakeholders into the process. These stakeholders are there to challenge the team's assumptions and internal biases to determine if the venture is a valid one. Challenging any assumptions they have about a concept is really important. Teams often take the problem as a given and move too quickly to the solution, so they need to get critique from outside stakeholders to challenge those internal biases and get a holistic way of questioning.

Experimentation

From there, we move to the key part of the venturing process: the cycle of serial experimentation. This is where the team designs critical experiments to test any assumptions they have identified about the concept. What's important here is to keep a validation score that helps to quantify to which degree the concept is validated.

Is the concept ready to go to the building phase? Or do we still need to learn more and iterate the concept? In this case, you can continue with the experimentation to

test additional hypotheses until the concept is fully validated. Or is there no way to pivot and we need to find a whole new concept or opportunity? If the concept is not completely on track, you can opt to pivot or return to the marketplace of ideas to find a new concept to test.

It's essential to iterate the concept as a whole and design experiments that test multiple aspects of the idea. If you iterate just one part of the concept until it's right, such as its desirability, the rest of the concept might not fit with this evolution.

A tip: keep a knowledge database where you have a backlog and give feedback into the system so you understand the overall progress, the pipeline, and when and why experiments failed. This can be a helpful tool for future venture builders which documents all key learnings.

If a concept fails, recycling a competent team is quite useful to successfully move towards a portfolio-driven approach in venture building. The team can still build on its learnings and go after a new opportunity. Don't kill the team just because they killed a venture.

Validation Threshold

The experimentation phase doesn't end until the concept reaches the minimum acceptable validation threshold, and every corporation has a different risk tolerance. You'll want to establish that risk tolerance at the beginning of the experimentation phase and track how far you've come towards validating the concept. This allows stakeholders to see how you've minimized risk. Innovation teams should create a standardized process for sharing validation progress across your entire portfolio, so it's easier for leadership to see your progress.

With enough validation and confidence, the concept can now move to the consolidation and build phase. Here is where you review the results from the experimentation cycles and use what you've learned to put together the final business case and define the product. With that, you can secure the appropriate build and operational budgets.

It's not only about the budget for the build – but also for getting to product-market-fit to make sure you don't run out of money during the first months of the venture journey. Parallel to that, you start building the organization, start sales and marketing, and build the product – before moving on to launch.

And that is the whole approach in a nutshell: an evolution on top of the core process that most venture builders, innovators, or entrepreneurs from the startup space might already be familiar with. It shows how these new tools and techniques help to increase the potential success rate of a venture, especially in the context of corporate venture building. Specifically for first-time venture builders, some of these insights might be helpful to keep in mind to avoid some of the mistakes we made in the past along our venture building journey.

AI in Foresight and Innovation: 4 Steps to Stress Test Your Innovation Pipeline

A crucial part of driving innovation within your organization is looking at the future by conducting scenario planning. Dr. Christian Mühlroth, Chief Executive Officer with ITONICS, offers four steps to do just that by stress testing your innovation pipeline with the help of Artificial Intelligence (AI).

Christian Mühlroth
CEO at ITONICS

Step 1: Understanding Change by Collecting Company-External Data

During this step, you want to understand external change by integrating public and non-public external sources into your innovation platform. Implementing AI to collect and standardize this data will save you time and help organize the information in a structured format.

You can organize all future-oriented knowledge and assumptions related to external change to form a central research database. This allows you to discuss how these changes can affect your company in the future and the actions and innovation needed to address it with both internal and external experts. Collaboration and knowledge sharing are the two key elements when understanding future change and developing opportunities based on those changes.

The question you should be able to answer at the end of this step is, "Where to Play?"

Tip for collecting external data:

- Look beyond only patent or IP data, use scientific databases, news, and startup databases with the idea to have more of a far outlook about emerging change.
- Use patterns to identify what's going on a daily or weekly basis to identify signals and hints about what is to come based on the financial investment made by other companies and organizations.

Step 2: Capturing Your Innovation Pipeline by Connecting Company-Internal Data

In this step, you can use AI to capture the innovation pipeline to develop an effective future course of action by connecting your company's internal data to the external data gathered in the previous step. The process begins by collecting all innovation efforts your company is working on and combining them into a clear roadmap in your innovation platform. To structure the data, you should apply best practices to categorize each innovation project or initiative accordingly, with labels such as type of innovation, innovation ambition, etc.

After the internal investments and innovation projects are gathered and organized, create an Innovation Graph and connect all emerging trends and technologies with all of your company's current projects. Applying unsupervised machine learning can help identify possible areas for optimizations and cost savings.

The purpose of this step is to answer the question, "How to Win?"

Step 3: Spotting Optimization Areas using AI-Based Recommendations

The question to ask in this step is, "are we (still) doing the right things?" Using AI-based recommendations, you can discover areas that are low priority investments to focus on spot area optimization within your innovation pipeline. Using an Innovation Graph, you can visualize external change drivers concerning internal innovation projects to determine if and when action is needed.

Suppose you discover that there are several activities related to the change driver not requiring action. In that case, you can shift resources to projects that have a higher likelihood of success based on your company's future goals.

The question you should be able to answer at the end of this step is, "What to Execute?"

Step 4: Discover Opportunities Using AI-Based Recommendations

This step is all about discovering new opportunities with the aid of AI-based methods or recommendations that will likely promote growth. The question to ask is, "Where to Play?" Use an Innovation Graph to visualize external change drivers and the related internal innovation pipeline to identify projects requiring action but with no linked initiatives or activities to drive the needed innovation. You are searching for innovation projects ranked as a high priority with low investments. This evidence-backed approach helps find new opportunities that increase your market fit.

After finding opportunities, you can use AI bots for each discovered opportunity to continually scan and analyze external data for emerging trends and application examples and receive alerts with the findings on a set, reoccurring schedule.

Benefits of Discovering Opportunities with the Help of AI

- Increases market fit for your current and future products or services
- Increases project transparency among employees by helping them understand their contribution to the company's innovation success.
- Increase the likelihood of a new opportunity's success by relying on evidence-backed data.

Keep in mind: while AI is great for sifting through data to quickly identify areas of interest that require a closer look, humans must still be a vital part of the later stages of driving innovation to interpret and analyze these areas and determine what actions to take.

The Imperative for Inclusive Innovation

Maulie Dass, Senior. Director and Global Lead for Cisco Innovation Labs, believes that the innovation community must work with urgency to address inclusivity in innovation.

Maulie Dass
Global Lead for Cisco's Innovation Labs at Cisco

Some product users often get a feeling that some products are made for them, while most others are not. This feeling is a sign of non-inclusivity, and innovators are uniquely situated to serve a role in slowing the spread of bias.

Non-Inclusive Innovation

The concept of non-inclusive innovation is not something in the abstract but instead is clear in examples throughout history. Examples of historically non-inclusive products include college desks which were made for right-handed users instead of both right and left-handed students, vehicle safety tests such as the infamous "crash test dummies" test did not represent women, and the first automatic hand soap dispensers that did not recognize dark skin.

The introduction of artificial intelligence (AI) into technology has highlighted the potential non-inclusivity of tech. Humans create algorithms and existing bodies of data are used to teach AI. Because humans are biased, these tools are also biased.

Biased AI is not speculative but already a reality. Amazon created an AI recruiting tool that showed a strong bias against women candidates. Police departments use a tool that defines areas for policing based on location which has the potential to proxy for race or socioeconomic status.

As AI becomes more prevalent in technology and innovation, it has the potential to amplify bias at speed and scale. If we aren't aware of the potential bias in systems, bias will increase with direct impact to humans.

Creating an Environment for Inclusive Innovation

To alter the direction of bias in technology and innovation, innovators must design with inclusivity first and not as an afterthought. Inclusivity won't simply happen but instead requires intention. There are three main factors to consider when moving toward inclusive innovation:

- **People:** Inclusive innovation starts with the people involved in that innovation. Companies often have communities of interest or employee resource groups that can provide unique perspectives and ensure representation of underrepresented communities. These groups are well suited to provide feedback and serve as focus groups. It's also important to know the passions and background of those on your team. Innovation doesn't always need to be led by the smartest person in the room but rather the most passionate.

- **Process:** Process is a key contributor to inclusive innovation and enables repeatability. Start by ensuring that the playing-field is level for all to participate. Embed these practices in everyday environments, such as inclusive language in coding environments. Strive for equitable experiences as employees return to work and include teammates regardless of where they are.

  Once you have a level playing field, create group ideation scenarios that strive for inclusivity. Organize a call for "passionate participation" that requires contribution and outside-in perspectives during workshops and breakout groups. It helps to have clear expectations and ground rules for all involved and to include user interviews and different populations as you ideate on problems. Create safe spaces to share ideas and get feedback.

- **Tools:** Familiarize yourself and your team with available frameworks and tools for documenting biased results and preparing correction plans. Some companies prepare their own, internal template that assists innovators in identifying bias. Public tools exist as well including the AI Fairness 360, an open source industry toolkit.

In the end, it's essential for us as corporate innovators to realize that we serve a critical role in enabling inclusivity and slowing the spread of bias.

Finally, A Framework For How To Build Businesses From Innovation

Frank Mattes, the author of "Lean Scaleup" works with large companies (up to Fortune 10) on solving one of the biggest problems in corporate Innovation: How does a company create new businesses from Innovation?

Frank Mattes
Author of Lean Scaleup
and CEO at innovation-3

Several studies show that when a company launches a corporate startup or invests in a greenfield venture with the intention to scale them, the chances of building a sizable and profitable business are only 10-15 percent.

With more than 20 industry-leading companies and 2 globally leading business schools, Frank co-created the Lean Scaleup framework to solve this "corporate business-building problem".

The Lean Scaleup has two big ideas. The first one is to build a "gearbox" between the core business and the corporate startup/venture that the company wants to take to scale. Core and Innovation are two different and incompatible value-creation systems under one corporate roof. Scaling up will not work without this gearbox since the "corporate innovation antibodies" will eat the innovation ambition for breakfast.

The "gearbox" consists of three parts. The end-to-end methodology instructs how to validate innovation concepts in the corporate context, how to facilitate the transition to scaling-up, and how to scale up the corporate startup/venture. Secondly, the actions that Senior Management needs to take to balance "Winning the NOW" with "Creating the NEW" – in other words, to future-proof the company. And thirdly, the culture and collaboration between Core and Innovation and inside the high-growth scaleup.

The second big idea is to adapt the proven principles of the Lean Startup to the corporate business-building context. This adaptation is mandatory to succeed in corporate business-building. The Lean Startup was designed for greenfield startups, not for the corporate context. Consequently, although 80 percent of large companies say that they use the Lean Startup, their results are disappointing, as stated above.

The Lean Scaleup adapts the Lean Scaleup in two ways: (a) it guides companies on the whole end-to-end innovation journey, from idea to scale, and not just in the very early stages; (b) it adds a fourth dimension, "Contextuality," to the three dimensions Desirability, Viability, and Feasibility.

In the incubation and acceleration stages, Validation must answer (within the corporate context - you are not building a greenfield startup) two questions:

1. Is this innovation concept worthy of being scaled?

2. Is it ready to be scaled?

Once you have found solid proof points to answer these two questions, you need to conduct eight activities in the transition to scaling up:

- Pressure-test the critical assumptions on scalability. Innovation teams are naturally going to fall in love with the solution that they have created. Since scaling up is expensive, it is good to revisit some of the most critical assumptions on scalability. It might even make sense to conduct this pressure-test with external, non-biased experts. This pressure-test intends not to kill the corporate startup/venture - the intention is more to have a clear view of the company's leaps of faith.

- Decide on the pathways-to-scaling-up and the post-scaling pathways-to-value. Should you scale up the corporate startup/venture inside the company or outside? Should you re-integrate it after scaling up or have it as a separate legal entity in the corporate group? Every option will have pros and cons. Which one you take, though, will affect your scaling up journey.

- Establish the collaboration model between the core business and the scaleup. This refers to aligning KPIs, a clear definition of which party does what, and helping the people from both sides to work together productively.

- Build an outstanding scaling up team. The people who conducted Validation with scientific rigor are typically not people who have the entrepreneurial drive scaling up requires.

- Define docking points to the core business. Companies need to ensure that risk management, regulatory compliance, etc., are properly taken care of, and the scaleup wants to have efficient access to corporate assets and capabilities.

- Ensure proper governance and funding. Create a lean governance and a metered funding scheme. A governance board with 20 senior managers means that the scaleup is doomed for failure.

- Establish product ownership. When the scaleup uses corporate systems, it will inevitably run into portfolio management discussions during scaling up.

The last piece of the puzzle is to develop an initial scaling up plan. This plan substantiates the scaling up budget, outlines the milestones for metered funding, and establishes an initial alignment as the scaling up journey begins.

How to Design an Incubator for Growth

Corporations have the talent, ideas, and resources to drive meaningful growth and beat startups at their own game. The trick for corporations, though, is figuring out how to unlock that potential.

Edward Ross
CEO Chief-of-Staff and VP of New Markets at Mach49

Ed Ross, SVP of Worldwide Operations at Mach49, knows how hard it is to create a new venture inside an established corporate culture. But why is it so hard?

It's because the core business has to appreciate that new venture creation is vastly different from operating a mature business. Businesses also need to work hard to identify and harness their internal entrepreneurs effectively. The existing infrastructure of the core business can end up starving the internal startup or killing it entirely. Attaching an old way of working to a new venture is the fastest way to kill it. That doesn't mean the company playbook is wrong, it just means that it needs to follow a different methodology for new venture creation.

Ed believes that corporations are making venturing more difficult than it has to be. The key to creating a successful new venture is a skill you learned in middle-school science class. Create a hypothesis, identify an experiment to test that hypothesis, run that experiment, learn from your results and then figure out what to do next.

New venture creation is essentially a risk reduction factory. You have a lot of unknowns (customer, product, business, mothership,). Rather than guessing at THE answer, it's your job to validate or invalidate hypotheses through many experiments. Following this approach also allows you to stay small and nimble through venture creation as you don't have to throw millions of dollars at new ventures. Only after you have validated your customer, product, business, and mothership hypotheses through numerous experiments do you ask for capital to build the venture in an offering that is ready to scale.

It sounds straightforward, but then why do corporate incubators fail so often? Because there is friction with the core business, the executive decision-makers fail to grow, and there is no methodology within the corporate structure to make the venture a success.

That doesn't mean it's impossible. There are ways to build an internal incubator that will allow a company to institutionalize and scale growth efforts for decades to come. To do it right, you need to focus on methodology, talent, and leaders.

Methodology

Ideate

Some companies have a huge portfolio of ideas, but they need help assessing and prioritizing them. If a company is lacking ideas, they could consider starting a company-wide venture competition. Be careful, though, because you could end up with way too many ideas and no way to incubate them all. Source the ideas carefully and manage expectations about what you can do. Use a standardized system to sort through the ideas and move the most promising into incubation.

Incubate

Incubation should occur over a 12-week period broken into three months. In the first month, find out what customers really need through rigorous customer research. In the second month, determine the product or service that will meet that need. In the third month, design the business model. The outcome of the 12-week incubation process should be a fundable business with a milestone-driven, detailed execution plan.

During the incubation phase, the New Venture Team should conduct between 150 and 300 customer interviews. Initially, these should be 30-minute conversations. The team will ask open-ended questions to discover the pain points of the customers. Once they start hearing the same pain points over and over again, they can brainstorm solutions. Storyboard those solutions and present them in customer interviews, narrowing down the ideas to the top three to five. The team can then start prototyping, taking a high-level concept and drilling down into product discovery, use, support, etc. workflows.

If you have done a good job of identifying pain and building a product to solve it, you will have interviewees asking to be pilot customers. When you hear this, you know you are onto something and are ready to move from incubating to accelerating.

Accelerate

This is where the rubber meets the road, and you take your product to the market, seeking product-market fit and first revenue. Most companies want to jump straight into building the final product in this stage, but that's a huge mistake. Instead, start to place those series of small bets and find out exactly what customers want and how you are going to build it. Then automate, standardize, and scale it with a repeatable revenue model. By the end, there should be a proven business model ready to go.

Talent

Venture capitalists say that market size is the biggest determiner of success. The startup team is a close second. Incubation labs need to spend time sourcing the right people. You need to build a core team that will support new venture development. You also need a specialist team that can parachute in when needed, including subject-matter experts.

For the New Venture Team, Ed recommends having five to seven people working on the 12-week incubation full time. How many people you put on the team will depend on the number of segments to be explored and the team's experience. Whoever is on the team needs to be 100% committed for those three months. The goal will be to have 2-3 members stay with the venture post-incubation, while others may return to their previous positions or start working on another new venture. Using this system is a great opportunity for employee engagement and leadership development.

When sourcing talent, look for characteristics, not areas of expertise. Team members need to be intellectually curious, comfortable with ambiguity and able to work like they are a part of a scrappy startup. Look for the doers, not the delegators.

Leadership

Building a new venture inside a big company is like fighting a war on two fronts. You have all the risks and uncertainties of building a startup while also navigating the different groups within the core business. A political or financial shift in the core business can easily undo what the New Venture Team has spent months building.

To counteract that, the executive leadership has to identify and manage potential challenges to venture-building within the company. One of the ways to do this is to establish New Venture Advocates in core departments. These are the people empowered by leadership to make changes and exceptions to standard rules and procedures. For example, find someone in the legal department who will write a one-page term sheet for a deal with a startup instead of using the standard 40-page term sheet. Or find someone in HR who is willing to fast-track employees needed for the new venture who might not look like the typical employee in the core business.

There must be a New Venture Board, too. This is the executive leadership team that's championing the efforts of the new venture. This should be the team that can deliver a go or no-go decision at any stage of incubation or acceleration. They also need to have access to seed funding for the team and be able to help remove friction within the core business.

The ultimate goal isn't to build one new venture. It's to develop a venture capital mindset and drive sustainable corporate growth. With the right methodology and team, corporates can fasttrack these efforts.

Scaling at Speed: A New Approach to Business Building

When a major corporation changes strategic gears, innovation has to become a core enabler. Cathal Hughes, investment associate at bp Launchpad, discussed how the global energy giant's innovation effort has allowed it to scale new ideas fast and sustainably.

Cathal Hughes
Investment Associate at
bp LaunchPad

A New Strategy at bp

The background at Launchpad has to come with the larger organizational context. In 2020, bp announced a new strategy that would see it becoming a net zero company by 2050, transforming its business from an international oil company to an integrated energy company delivering solutions rather than producing resources, reimagining energy for everyone on the planet.

Six core beliefs drove the strategy shift:

1. The world will electrify, with renewables at the center.
2. Customers will redefine convenience and mobility.
3. Oil and gas will remain part of the energy mix, but its nature will change.
4. Energy systems are becoming increasingly complex.
5. Customers, countries, cities, and industries will demand bespoke energy solutions.
6. Digital solutions will continue to transform our lives, driving innovation and market value.

The new strategy aims to account for all of these beliefs through aims like reducing methane, increasing investments into non oil and gas businesses, and becoming an industry leader in clean energy and caring for the planet. To get to that point, the organization took a comprehensive look at its innovation ecosystem.

The Three Innovation Units at bp

In light of its new strategy, bp considers its innovation ecosystem as a three-way front. Each piece interacts with the others, but has very different priorities and emphases to contribute to the greater whole:

1. **bp ventures** operates as a traditional venture fund, through minority investments focused on high-growth technology. The fund invests from seed all the way through Series D, looking for the traditional CVC exit returns model. To date, bp ventures has invested in 40 startups, resulting in 9 successful exits.

2. **Incubation** is designed to bring new ideas from 0 to 1. It's designed for early-stage ideas and concepts, designed to reach MVP status through business model testing. Its 3 to 6 month program is open to both internal and external ideas, with successful candidates graduating into Launchpad.

3. **Launchpad** aims to get conceptualized ideas to commercialization. Its focus combines deep business building support with rapid scaling, designed to build and scale a portfolio of new energy businesses. The focus is purely digital, with products only relevant when they are adjacent to BP's business model.

The innovation ecosystem also consists of internal expert groups and R&D groups, along with strategic partnerships, accelerators, incubators, and even academic relationships. Ideas come into the incubation project, before Launchpad brings those that have proven successful as initial concepts from 1 to 100.

Launchpad: An Innovation Driver to Get Ideas From 1 to 100

Launchpad's mission statement is simple: to generate sustainable change by scaling a progressive portfolio of digitally-led businesses and disruptive startups that reimagine energy for people and the planet.

In other words, this is a project designed to invest in disruptive tech, with a focus on scaling and speeding up startups and ideas to multi-million dollar revenues and global operations. The ideal timeline for that process: two to five years.

To convince others to work within that framework and for the benefit of bp, Launchpad presents a three-fold offer:

1. **Capital injection,** designed to enable accelerated growth with multi-year funding opportunities based on milestones.

2. **bp's unique capabilities,** including immediate opportunities to sell within bp, access to real-world data sets, established domain expertise, and global relationships.

3. **Access to business building experts,** including anything from HR to operations, procurement, commercial growth, marketing, tech, and finance and legal consulting.

To receive these benefits, startups have to be digitally enabled, generate product-based revenues, and operate in growing markets where bp can provide a strategic advantage. To date, that has led to a portfolio of five companies, with three more planned for 2021.

7 Lessons Learned From the New Innovation Process at bp

With Launchpad only three years old, bp has drawn some crucial learnings that are applicable for any other internal innovation commercialization programs:

1. **Willingness to change is a top priority.** Not all will be perfect, and failing fast as well as adapting as you go is vital to success. Launchpad learned this the hard way when its own structure had to be adjusted to account for its more narrow focus.

2. **Culture is key.** That culture must be intentional, with clearly defined and demonstrated values that are different from the core business. For Launchpad, that culture revolves around hustle, energizing, love, and pioneering.

3. **Define your why.** A clear mission statement allows the team to align correctly, minimizing varying interpretation of why the innovation team does what they do. The team needs to have broader ambitions than the core business, to avoid incremental in favor of disruptive change.

4. **Expect a challenge of the internal dogma.** Doing something new will inevitably cause friction, requiring time and dedication to spreading the word. Patience, diligence in closing communication gap, and pragmatism to understand the resistance to change are key.

5. **Stay in tune with the outside world.** Internal silos can be fatal for innovation. Engaging with startups, investors, and the corporate community helps to spread your message, builds credibility, and tests your assumptions. It also happens to be the quickest way to get ideas, deals, and opportunities.

6. **Scream and shout.** Spread the message about the innovation program far and wide, honing your elevator pitch to truly bring home the value. The whole team should feel responsible for building the program's value, which can be helped by celebrating successes.

The seventh lesson is more general: even through initial growing pains, remain positive and believe in the value the innovation program can create. Failure, after all, is nothing but an opportunity to learn and improve.

The Secrets of Taking Moonshots

How does Alphabet's famous moonshot factory uncover and pursue groundbreaking ideas like Waymo, Wing, or Dandelion? X's Karen Roter Davis, Director of Early Stage Projects, shares a few secrets behind the complex process of breakthrough innovation.

Karen Roter Davis
Director, Early Stage Projects at X, the moonshot factory

X's moonshots are at the intersection of three ingredients: a huge problem that, if solved, would improve the lives of millions or billions of people; a radical solution that could lead to a 10x improvement on things today; and a sci-fi-sounding, breakthrough technology.

As a moonshot factory, X's culture is focused on repeatedly generating new innovations that can have an impact on the world in the next 5–10 years. These secrets help them get there.

Secret #1: 10X, Not 10%

At X, there's a saying that "10X is easier than 10%" – because thinking 10X forces the kind of creativity and audacity that leads to breakthrough innovation. The organization looks to move the needle significantly, looking beyond incremental improvements within the current context to the radical new concepts and technologies that can lead to transformative change.

That means focusing only on big problems that affect lots of people. It's about looking at the critical problems of our time, like how we can grow our food in a more sustainable, resilient and equitable way, as X's Project Mineral is focused on; or how to close stubborn connectivity gaps affecting underserved communities, as X's Project Taara is exploring. But that doesn't mean the problem has to be obvious; sometimes, even the most non-obvious problems offer insight into ways we can support societal improvement.

Secret #2: Work on the Hardest Thing First

If you want to teach a monkey to recite Shakespeare and stand on a pedestal, which do you teach first? It might be tempting to start with the easy part. But at X, teams start with the toughest piece first.

When a problem is easy to solve, it doesn't teach you anything about getting to your potential breakthrough. Building a solution for an easy problem might just be incremental improvement. Working on the hardest piece of a problem first instead ensures that, once the first hurdle is cleared, teams have a good signal on their progress and have learned more about their path forward.

That doesn't mean the hardest part is the most expensive. But it is the most challenging and frustrating, and part where you're most likely to fail — which means it's the most valuable for learning. If it proves impossible, you'll have gained valuable insight; and if that groundbreaking hurdle is successfully cleared, it will show you the way to more change.

Secret #3: Fall in Love With the Problem

Looking at technologies that have had a transformative impact on the world — like Google Search and Maps, which are found almost everywhere today — it's easy to believe that they began as solutions. But those technologies didn't magically appear; instead, they sought to solve fundamental problems first.

Innovation is unpredictable, and focusing too early on one solution can prevent you from exploring other and potentially better ideas. X's teams look to fall in love with the problem instead: Rather than solving it in a particular way, they keep an open mind — running experiments, prototyping, and iterating to keep them efficiently working towards a solution, whatever it might be.

Secret #4: Embrace Learning

Any innovation leader knows about the importance of failure to the iteration process. But that only matters if failure leads to learning, in which case any funding and time investment into that failure can still be considered well-spent.

This can only be achieved with a supportive culture that prioritizes long-term success over short-term achievement. X operates on long time horizons, developing technologies that might have an impact in the next 5–10 years —

but focuses on building tight learning loops to find the fastest way there. From Loon balloons exploding in labs to the hook design of Wing drones, X's engineers continuously innovate and de-risk their projects. Keeping X's culture focused on rewarding learning processes keeps X's teams resilient enough to keep trying for 10x technological breakthroughs.

Secret #5: Make Contact With the Real World

In a lab, ideas can be immensely successful. But in the real world, you need to be prepared for the unexpected – like monkeys banging on Project Taara's terminals – disrupting the high-speed internet being beamed through wireless optical links. .

Only moving the project into the real world can anticipate these types of problems. In the case of Project Taara project, engineers developed safety cages around the equipment deployed in rural India. Taking care not to be too removed from real-world applications is vital to the long-term success of any project.

Secret #6: Build in Diverse Perspectives

Different perspectives enable more innovative ideas. X brings together people with different areas of expertise, skills, functional, and personal backgrounds to maximize the number of different ways teams can attack a given problem. Especially with moonshots that have the potential to affect billions of people, this diverse, collaborative approach is vital.

That process, in turn, helps in a wide range of ways. Even unique perspectives based on personal hobbies can help to breed success in unique ways, like shaping potential solutions inspired by fly-fishing. With diverse perspectives, strengths and ideas, Xers can keep each other motivated through tough challenges, bring out each others' creativity, and ultimately help find a path to the moon.

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The Corporate-Startup Playbook: Innovate With Startups the Right Way

As innovators, you balance exploration efforts with solving today's problems, which is what Nate Nasralla, Chief Growth Officer at GAN, refers to as the innovator's dual mandate.

Nate Nasralla
Head of Global Partnerships at GAN

In order to do this faster and faster, to increase your velocity, you need to increase the number of experiments you run each year (your "shots on goal"), and you need to build a frictionless process for managing each engagement better, to fully capture learnings. Here's a number of suggestions from GAN's Corporate-Startup Playbook.

Start with the Right Intentions

Clarity about the commitment from both startup and corporate teams is the key to a successful partnership. While it is about reciprocity each can offer, the focus is to help the startup win. Begin with the following motives in the first step:

- Faster product development
- Early insights into emerging technology
- De-risking internal innovation
- Collaborating with top talent

Lead with Vision

Create a compelling vision that everyone is going to embrace. It should describe what the world will look like when working with a particular startup. Get them excited about being part of the innovation involved in creating that future, as your financial returns typically won't inspire them to engage with you.

Build Internal Buy-In

Outline a plan of expectations and obstacles you'll encounter when building startup portfolios. Executives should be involved in the startup engagement and share the progress from engaging with startups with its employees. Once you have top-level support, business units should be created by finding willing advocates for the experiment rather than focusing time on convincing skeptics about the benefits of the new opportunity. Then build on-ramps and highways to direct startups to navigate the process with ease.

Creating this roadmap helps startups connect with the right people at the right time. To ensure the engagement stays on track, you should maintain a clear set of innovation criteria. After the startup makes a successful connection for the engagement, lower the amount of friction to complete the launch with ease.

Develop Transparent, Time-Based Goals

If you can align startup metrics with corporate incentives, you can greatly reduce friction in the process.

- Determine if there are conflicts with pursuing the engagement and corporate's goals.

- Work backward from the desired outcome to clearly define the timeline to commercial success.
- Determine an agreeable gateway metric to know the riskiest assumption that must be validated before scaling the pilot. Determine a drop-dead date for meeting the metric before moving to the next phase of the corporate-startup relationship.

Communicate Throughout the Entire Process

It may seem obvious to add that communication is a critical enabler for successful partnerships, but since most partnerships aren't successful, we still have a long way to go.

- Over communicate and schedule regular check-ins.
- Establish quarterly planning sessions.
- Create owners, not committees. Have a single contact responsible for communicating with the startup and coordinating the dates, access, and data needed.

Overall, while there are several factors for developing a successful process for innovating with startups, empathy plays a major role in making startup relationships work. Think of a jet landing on an aircraft carrier at sea, with the aircraft carrier being the corporate operating at scale, while the fast and nimble jet is the startup. The two require the help of the signal officer on the deck of the aircraft carrier to successfully make the connection.

However, to be a signal officer, one must understand what the jet pilot is going through and be empathic throughout the situation for a successful landing. To develop empathy, it could be worthwhile to engage with startups more informally, beyond our actual pilots and projects.

Avoiding Pitfalls in Strategic Partnering & Open Innovation

Open innovation and building strategic partnerships fuels disrupting from the outside in rather than just focusing on the inside out. Kevin Ye, partner at Mach49, is an expert in corporate investing and execution processes that make corporate-startup partnerships work.

Kevin Ye
Partner, Corporate Investing at Mach49

Below is a quick overview of a typical strategic partnering and open innovation process:

- Scouting/partnering to inspire open innovation. Find mutual win-win situations from working with startups.
- Corporate accelerators are the next step as you become more involved as ideas become working projects.
- Corporate Venture Capital (CVC) is the natural next step when examining the strategic value and financial performance.
- Corp Development/M&A is the final step because it allows corporate to keep up with business globalization by using the new technology to develop new markets or transfer it to help fuel innovation growth.

Expanding on this process, Kevin shares what to avoid when diving into strategic partnering and open innovation and best practices to follow.

Don't Lose Sight of the Big Picture

Many strategic partnering and open innovation groups are reactive because the startup is approaching a business unit with a well-liked idea while the corporate side finds ways to use the technology. While this may lead to successful innovation, companies could more effectively execute the idea if they were proactive in their strategic partnerships by organizing all their open innovation efforts.

- **Establish clear objectives and decision-making frameworks:** Doing this first ensures all teams understand the goals of strategic partnerships and can communicate the process to startups interested in working together.

- **Frame activities in an "opportunity universe" context:** Since all ventures are both reactive and proactive, you must start the partnering process by taking the time to examine all innovation hot spots happening that could benefit your company in the future. You can then prioritize them based on your set criteria to determine which startups and technology are a best fit.

- **Establish internal communications:** This is essential to building effective partnerships because you want to prevent duplication of anything else happening across the organization. You want to become the "Nexus" or go-to resource for startup partnerships, so you can effectively vet and evaluate strategic partnerships to ensure a company fit and within the established framework priorities before engaging in pilots.

Don't 'Move Fast' to the Impairment of Internal Alignment

There is a fine balance between not moving too slow and moving too fast. However, striking that balance is essential for a successful strategic partnership. Oftentimes, innovation groups suffer from moving too fast and neglecting to get all the appropriate internal controls without realizing it. To help prevent this, follow these best practices:

- **Understand the incentives, bandwidth, and capacities of your business units:** Incentivize people for supporting partnerships within their time constraints and resources and ensure they have a genuine interest in the technology the startup has to offer.

- **Gauge internal temperature and be on top of your approval process:** fully understand how high up the chain of command needs to go for everything ranging from a PLC to a go-to-market strategy.

- **Get top-down support and leadership advocacy:** Approval from the C-suite for the value a strategic partnership can have is essential because they are the ones who can help make things happen.

Don't Neglect VC-Style Due Diligence

While VC due diligence is already lightweight, make it even more lightweight by removing all the financial return considerations. However, the three main questions a VC due diligence should answer are important.

- Is the company the best of all the options available?
- Is the company going to stick around for multiple years?

- Are they going to be able to survive until their next fundraising round?

Best practices ensuring you do your due diligence with a strategic partnership include:

- Understand the business health and future roadmap of the startup.
- Talk to the existing investors.
- Work with the ventures team to avoid duplicative efforts (where possible).

Don't Unintentionally Silo Strategic Partnering from Other Innovation Initiatives

Coordinating with other teams within a corporate is very important because unintentional siloing of strategic partnerships often happens, which is detrimental to innovation over time.

- Share and request existing knowledge to prevent meeting the same startup multiple times for each team with different focus areas. This can also help accelerate the overall process.
- Draw clear lines of delineating and understand internal process dependencies upfront to show startups what to expect when talking with various innovation groups within your organization.
- Stay involved and up-to-date with conversations.

Don't Forget to Put Yourself in the Shoes of the Startup

As a large corporate, your established processes will often seem foreign and restrictive to a startup. Therefore, to keep a good reputation among startups, you should empathize and adapt to their situations when creating a strategic partnership.

- Don't waste startups' time, and don't take your time just because you can.
- Monitor requests to make sure they're reasonable.
- Be empathetic and respect their goals and timeline.

Collaborating With Startups – How We Bridge The Scale Gap

Tammy Butterworth, Chief Foresighter Cocoa Cobeana & Global Breakthrough Innovation Lead at Pepsico, works in the PepsiCo Greenhouse Collaborative Accelerator. With an open innovation approach, PepsiCo Greenhouse collaborates with the change-makers of the future to help lead the transformation to make a difference in the world of food and beverage.

Tammy Butterworth
Chief Foresighter & Global Breakthrough Innovation Lead at Pepsico

PepsiCo is a massive corporation.They collaborate with purpose across the scale gap, with the goal of working with entrepreneurs to enable food systems

of the future. PepsiCo is bringing scale, network, and efficiency to the collaboration. The entrepreneurs are bringing agility and flexibility, the exact things PepsiCo wants to learn.

Overview of the Program

The vision of PepsiCo Greenhouse: The entrepreneurial spirit of innovation + collaborative spirit of a community garden = business impact via expertise and connectivity

PepsiCo Greenhouse uses an open competition to support breakthrough startups and innovators. They decide on a focus area and then start looking for applicants through press releases, social media, and networking. Hundreds of startups apply per challenge. Each submission is screened and assessed to ensure they can substantiate claims made about their science and technology. They select ten finalists, and each one gets a $20,000 grant.

The finalists then start a six-month mentorship program. Each company will get two mentors from PepsiCo, selected for them based on the areas in which the entrepreneurs say they need the most help. Mentors are selected based on their skills, but they also need to be open thinkers. They commit about an hour a week to their mentorship duties, though they can also attend the accelerator training sessions if they want. These monthly training sessions are like a mini MBA program, with sessions on foresighting, business models, and discussions with subject-matter experts.

At the end of the six months, PepsiCo Greenhouse chooses a winner who gets $100,000. They pick the winner based on metrics like merit, how effectively they used their initial grant, and how well they used the resources within the program.

The Benefits and Learnings

The benefits go both ways. The entrepreneurs get a mentor program, monthly training, grants, and access to subject-matter experts. PepsiCo benefits as well, with new sources of inspiration and infectious energy. Working with entrepreneurs broadens internal thinking and can help accelerate progress within the corporation.

PepsiCo is still learning, too. They are learning new tools to deliver bolder outcomes and new ways to work within teams. They've also learned to focus on agility and how to reduce the resources they need. They are discovering the ways in which they are still siloed and how they can provide training in a more optimized way. Through the process, their own community is getting stronger. Entrepreneurial people within the corporation are helping to change the culture with more idea sharing and "how could we" thinking.

Bridging the Scale Gap

PepsiCo Greenhouse is marrying the scale and innovation of a big company with an entrepreneurial mindset to seed future growth. They are supporting startups and helping to give them a stronger foundation to move forward from. PepsiCo wants to bring that entrepreneurial thinking and way of working into the larger corporation to enhance future growth. The mutual mentorship that happens helps build on diversity and brings more voices into the conversation.

For programs like this, starting is the biggest challenge. People in leadership have to see the need for it. As such, it's essential to show them mutual benefits- a program like this has to move the agenda forward, for both the entrepreneur and the corporation. If you build a spirit of collaboration and get people who want to share ideas and help each other grow, everyone can land in a good place.

Creating a "Win-Win-Win" Situation Through Open Innovation With Startups

How does a global corporation like SAP successfully partner with startups all over the globe? Alexa Gorman, Global Head of SAP.iO, explains how her program has created a situation in which everyone involved wins.

Alexa Gorman
SVP, Global Head of SAP.iO Foundries & Intrapreneurship at SAP

The Basics of SAP.iO

Short for small input, large output, SAP.iO was created specifically to deliver new partnerships and products for SAP by accelerating and scaling startup innovation as well as incubating employee ventures. SAP.iO brings together innovators from every region, industry, and line of business to transform how businesses run. Since 2017, SAP.iO has helped 330+ startups in 10 locations including San Francisco, New York, Berlin, Tel Aviv, Munich, Paris, Singapore, Bangalore, Tokyo, and Shanghai as well as ventures accelerate their growth while enabling thousands of SAP customers to access innovation.

The goal: scout innovative B2B SaaS companies that complement SAP's products, offering them the chance for a partnership that opens up SAP's more than 450,000-strong customer base and enables intrapreneurs to build ventures.

The Win-Win-Win Situation of a Corporate-Startup Partnership

SAP.iO succeed because of clear and succinct value propositions for each of the three parties involved:

- Startups get access to SAP's global customer base, SAP's technical resources, and mentorship available within the core business.
- Customers receive access to curated innovative solutions that are integrated with their SAP systems so they can be used out of the box.
- SAP is able to fill whitespaces that the company cannot or will not pursue through internal innovation, along with feedback on its APIs and technology to continuously improve its offerings for all customers.

An Independent Structure to Drive Freedom and Trust

While SAP.iO started as part of the Office of the CEO, it has moved to the innovation team as an independent business structure. The resulting freedom has provided the team with crucial autonomy in making faster decisions, developing processes and branding unique to working with startups and creating a partnership-focused innovation program.

Significantly, though, the team still works within the larger SAP structure. Innovation programs are partnerships with different departments, as are decisions on which whitespaces partnerships with startups can fill to begin this. That set-up allows SAP.iO to avoid working with startups only to later develop a similar or identical solution in-house.

At the same time, the independence provided through the setup, especially the separation from internal innovation and R&D teams, has built a vital amount of trust between both sides of the partnership. While contracts protect both SAP internals and startup IP, that trust has been invaluable in finding entrepreneurs to partner with.

The same autonomy also allows SAP.iO to set its goals according to what makes the most sense within its structure. General goals around adding value for customers still have to be followed. But within that structure, the team is able to determine just what KPIs actually help to achieve it, from customer adoption of startup-founded solutions in the SAP Store (marketplace) to the integration of startup solutions, and more.

Creating a Culture of Support for Open Startup Innovation

The final factor in the success of SAP.iO in the four years since its founding is its culture. The team is built through a healthy mix of former entrepreneurs from the outside and former SAP corporate leaders on the inside, bringing a diversity of perspectives in both the startup world and within the corporate environment that has been invaluable.

SAP, of course, has the advantage of being a relatively innovative organization in which the mantra of *it needs to be developed in-house* was already outdated by the time SAP.iO was created. Still, the ability to bring in external organizations and set up the structures to make that process as easy as possible has supplemented the cultural aspects of making this effort successful.

That success can be found everywhere. Startups have started to be adopted as core players within the SAP marketplace. But no qualitative measure may be better than the continuous enthusiastic feedback of former members of the program who now recommend it to other entrepreneurs as "one of the best programs I've ever been with."

How Corporates Benefit From Billions of Dollars in Venture Capital

Venture capital investments started surpassing R&D spending in OECD countries around 2017. In every vertical, you'll find startups with hundreds of millions of dollars in venture capital investments.

Sabrina Jones
Strategic Partnerships & Open Innovation at Robert Bosch Venture Capital

The resources Bosch has internally can't match what's out there for startups. There is a big discrepancy when compared to the individual products in a single vertical within Bosch. That can raise legitimate fears in the corporate world. Can we even be competitive with new technologies?

Dr. Sabrina Jones from Robert Bosch Venture Capital, responsible for building up a global

startup partnership program for the Bosch group, suggests however that we have to stop seeing venture capital investments as a threat and start seeing them as an opportunity. We have a chance to partner with these companies and benefit from the disruptive power of venture capital.

How to Benefit From the Disruptive Power of Venture Capital

There are different venturing methods out there. When you look at Corporate VC, it has a high cost per opportunity and requires many months to realize that opportunity. Venture clients can do it five times cheaper and three times faster.

A Venture Client means the corporation becomes the client of the venture by testing or buying into the solution of the startup. The goal is to use this as a vehicle to engage in a substantial partnership later on.

What are the benefits and challenges of this method?

Top three benefits:

1. We become a one-stop shop for startups. There are people there to help them navigate and translate the corporate environment.

2. It improves services for the core business units. They get better processes, templates, knowledge, and support.

3. There are synergies within Robert Bosch Venture Capital, including deal flow, contracts, needs, and search fields.

Top three challenges:

1. We have to extend the corporate network to operational levels with 400,000 employees.

2. There is a lot of expectation management for both the startups and within the corporation.

3. You have to battle the not-invented-here syndrome. Internally, people may think they can do it themselves in a couple of years. By then, though, the startup will be light years ahead.

Leading Indicators of a Successful Partnership

After three years, Open Bosch has consulted over 500 teams internally. Many of the discussions end early as they move through the funnel. But there are currently over 50 proof-of-concepts running or finished. Out of those, there are at least nine partnerships so far. They've shown high business impact, either through revenue potential or savings. We may only see the final numbers in a few years, but showing that kind of potential already is a huge success.

Looking back, these are leading indicators of a successful partnership:

- Make sure the startup is top-in-class and mature. At a minimum, they need seed funding, and it's better if it's Series A or later.

- The business unit needs to put a dollar amount on the impact of their problem. If they can't do that, then at the end of the day the problem isn't as big as they think, and they might not be as committed to fixing it.

- There needs to be a customer for the solution. Don't let business units just try something new for the sake of it. Have a specific project where there is a customer asking for a solution.

- The pilot scope needs to be clearly defined, in terms of time and goals, with a business unit ready to support a decision.
- The startup solution can't compete with other in-house approaches. The in-house team may have too many resources in their own solution to entertain anything else.
- There is a clear decision path for go or no-go after the pilot. Management needs to know when they'll need to make a decision and be committed to acting on it.

How P&G Ventures Collaborates With Startups

P&G Ventures partners with entrepreneurs who have great products in categories that P&G is looking to work in. They bring into the partnerships what the partner needs, such as supply chain, R&D, branding, and endorsements. Making all that accessible to entrepreneurs is where the magic happens.

Lauren Thaman
Senior Director of Communications at P&G Ventures

Lauren Thaman is the Senior Director of Communications at P&G Ventures, an internal venture startup studio within Procter & Gamble. She notes that five or six years ago, P&G hadn't fully recovered from the economic downturn and the company wasn't growing. They knew they needed to grow and focus on what they were good at, which is creating big billion-dollar brands. So they started P&G Ventures as an evolution from New Business Creation. They focused on taking the best of Procter and the best of entrepreneurs and creating a win-win situation.

P&G Ventures isn't a funding mechanism. Instead, it partners with startups and provides the things that they lack. If you ask startups what they need, they start with money. If you ask what they need that money for, though, the answer is often that it's for something that they don't have experience in. There are a lot of things that entrepreneurs shouldn't have to learn on their own. Instead, P&G can bring the resources that entrepreneurs really need.

P&G Ventures has a number of ways of attracting entrepreneurs, including both push and pull approaches, such as social media, innovation challenges and relationships with venture capitalists and accelerators.

They are looking for technology everywhere, and the partnerships they've had have been global. It can be anything from one person in their garage to 50 people working on their own company.

Startups aren't just in it for the money. Entrepreneurs often want to use a startup as a way to build their reputation or as a springboard to the next thing. Many entrepreneurs know they are good at doing one thing, and they need someone else to come in and help with the other parts of the business. That way they can keep doing what they are good at. Some go on to have joint development ventures with P&G while others want to sell out and move on.

There is no one path for any of them and no two partnerships are alike. They all need something different. For example, one brand came to P&G with great technology focusing on the area of eczema and psoriasis skincare. They had the product for sale online, but sales were stagnant. When P&G started working with the company owner, he had the science and the IP, and P&G Ventures felt they could help with the marketing arm of it. They found the sweet spot for the brand and its customers, which ended up being marketing on a more personal level. P&G helped him scale from small to large, while also helping with quality control and supply chain.

P&G Ventures uses a four-phase process with each startup:

- Discover
- Create
- Build
- Scale

Startups have clear objectives that they'll need to meet before they can move onto the next phase. As of today, P&G Ventures has stood up four businesses that are growing nicely in the build phase. P&G itself is designed for the scale phase because it can develop a lot of high-quality products very fast.

P&G Ventures has learned a lot throughout the process. They learned how to become faster and right-size their processes. This involved learning how to write contracts quickly, speed up internal processes like purchase orders, and even how to pay people faster. They also learned to look for the indicators of what will make a successful partnership, which is usually some kind of exclusivity within the startup. Ultimately, they are looking for a hero item, brand, technology, or idea that gets to a billion dollars globally.

When to Partner and How to Make it Successful?

Toby Smith-Cullen serves as Fintech Partnership team lead at ING, providing the ING businesses with scouting and advisory with regards to Fintechs. For Toby, it's obvious that being in a service industry, specifically a financial service industry, is all about the customers and providing the best products and services. That is why partnering with a fintech can help provide customers with a better service and/ or product.

In essence, there are four ways of how you can interact with a FinTech:

Toby Smith-Cullen
Lead of the Global Fintech team at ING

- Develop your own from idea to scale-up.
- Take a minority investment in Fintechs that are in line with the company's strategic direction and have a positive financial return outlook.
- Partner, or rather collaborate with FinTechs that can really help a specific business or function.

- Acquire or leap-frog straight into a solution of another company and make it your own

The reason why you would want to partner depends on various factors. How quickly do you need to get a solution? How big or urgent is the problem? Is the solution already out there? Do you have or can you develop the knowledge inhouse? The answers to these questions inform your strategy.

Setting Up a Partnership — What To Look Out For?

In order to have a commercial partnership with a Fintech that really delivers impact to your organisation there are certain steps you could follow.

First, help with the ideation by coming up with ideas based on (Fintech) trends. Second, conduct a general and targeted scouting to develop an initial long list of potential candidates for the envisioned solution.

Next, based on a predefined criteria, you further refine your short list and deepdive on the ones most relevant. By then you should be left with the best one-two Fintechs for your use case, leaving the final step of validation which is done by means of a POC, with clearly defined success criteria. Finally, if there is a positive outcome from the POC you will work together to set-up a commercial contract.

The above sounds straightforward however it is important to take the following into consideration:

- You need to understand a company's needs and be aware that business AND fintech priorities can change.
- You need to make sure you stay up to date with the latest trends and developments (including regulation).
- You need to decide quickly if there is a potential match with the partnership – that goes for both the organisation and for the Fintech.
- The whole process can take a while depending on the use case (e.g. a fintech will have to meet the risk and technology requirements of the firm in order to provide their service/product).
- You need to agree on upfront measurable KPIs for the collaboration and keep the findings.

Why Do Most Business Ecosystems Fail?

Ecosystems are, in many ways, the holy grail of customer engagement and partnerships. As a dynamic group of largely independent economic players that create products or services together constituting a coherent solution, they require close collaboration between independent players but ultimately can unlock significant levels of engagement on behalf of both the individual players and the customers they serve.

Ulrich Pidun
Partner at
Boston Consulting Group

Unfortunately, they fail far too frequently. In fact, 85% of business ecosystems fail. When that happens, significant issues begin to emerge. Ecosystems tend to

fail late, after they have already required millions in investment. In fact, most of them fail after launch, and an analysis by the Boston Consulting Group showed that failed ecosystems have spent an average of $16 million before that failure became evident.

Avoiding similar traps becomes crucial for any organization looking to build an ecosystem structure. Ulrich Pidun, Partner and Director at Boston Consulting Group, explains exactly why business ecosystems fail, and what can be done about it.

Ecosystems in the Larger Business Environment

At their core, business ecosystems compete with other ways of organizing. Generally speaking, they succeed when modularity is as high as the need for coordination; otherwise, with high modularity and a low need for coordination, an open market model becomes more likely to succeed. Low modularity with a high need for coordination calls for a vertically integrated model, while low measures on both tend to work best in a hierarchical supply chain.

If both elements are high, two types of ecosystems tend to emerge:

- A transaction ecosystem, in which the orchestrator becomes a matchmaker between suppliers and customers. Marketplaces like eBay, Amazon, and Airbnb orchestrate the ecosystem from a central perspective.

- A solution ecosystem, which is more complex because its main value proposition is a coordination between individual offerings to a total solution. Operating systems like Windows or iOS, in which the orchestrator coordinates different complimentary offerings, are the perfect example of this type.

Crucially, ecosystems can start out as one of these types but transform into the other. The Google Play Store may have started as a transaction ecosystem, but has evolved to become more of a hybrid since its inception.

The 6 Steps of Designing a Business Ecosystems

To succeed, ecosystems need to follow six distinct steps in the right order:

1. **Find the problem you want to solve.** It needs to be big enough, and be the right choice for an ecosystem over a more centralized business model. Companies who start with their existing solution rather than the problem, or who cannot identify a problem big enough to satisfy all the players in the ecosystem, tend to fail.

2. **Design the blueprint of the ecosystem.** That includes defining the activities you need to make the value proposition happen. The activities can lead to the links between the activities, and the players required to fulfill them. When all relevant players are identified, it's crucial to identify the orchestrator, which tends to be a role that every player wants to play. Only the partners in the system can choose the orchestrator.

3. **Define the initial governance model.** This step revolves around the question of how open your ecosystem should be. An open ecosystem can grow faster, while a close ecosystem creates more control but can also tilt the balance away from the many players involved.

4. **Capture the value inherent in the ecosystem.** While the value question tends to be easy for a single product or service, it's much more difficult and complex in this context. It's vital to understand exactly what you would charge customers, and who should be charged at what point.

5. **Solve the chicken-or-egg problem.** Ecosystems need to achieve critical mass quickly, which means needing to understand exactly what your minimum viable ecosystem will look like and which side of the market you should focus on. Ecosystems are built on network effects, which can result in reliable growth but also delays the initial growth stage.

6. **Ensure your ecosystem's evolvability.** You have to make sure that the ecosystem doesn't drown in complexity as it evolves, and that scalability is built into the initial proposition. Planning early for how to defend against potential competitors is absolute key.

Where Ecosystems Tend to Fail

Knowing that business ecosystems have to follow this process, where do most of them fail, and what can we learn from that?

- Only 10% fail because they have an insufficient problem to solve. Think B2B marketplaces following Amazon's model, which discovered that supply chain relationships were too important for a more ad-hoc matchmaking system.

- 18% fail because of a wrong ecosystem configuration. That may include both finding the right partners to ensure that every part of the problem to be solved is taken care of, and choosing the wrong orchestrator. The right orchestrator, in turn, has to match four criteria: they need to be an essential member, they need to occupy a central position in the ecosystem blueprint, they need to have strong benefits from building the ecosystem, and they need to be considered a fair or neutral partner by the other players.

- 34% fail because of wrong governance choices, making this the most important reason ecosystems fail. A more open system means allowing access to more people when it comes to input and process control, which can lead to fast growth and a greater diversity of offerings and innovation. However, it might also cause the orchestrator to lose control of the quality of the ecosystem, and the value capture may not be as efficient.

The other reasons for failure tend to be relatively insignificant. 5% fail because of inadequate monetization, while 8% fail because of a wrong launch strategy and 10% fail because of weak defensibility. 15% of ecosystems fail because of bad execution. Here, one point is both relevant and surprising: in business ecosystems, you need to scale before you extend the scope.

Most companies are used to an approach in which an MVP leads to a pilot, building out the value proposition fully before a large-scale launch. In an ecosystem world, though, the process needs to happen in reverse. A narrow core value proposition needs to scale quickly, and additions to the value proposition can only be added once the network effect has taken hold. Think LinkedIn, which started as a simple professional matching platform before rolling out services like publication and recruiting after it had seen initial success.

Finally, ecosystems can only succeed with the right demand-side economies of scale. These economies of scale have to balance out their counterparts on the supply side, leading to a sustainable network effect that can grow without overwhelming the partners. Growing fast, in other words, only matters if the ecosystem can support that growth.

Axel Springer's Ecosystem Strategy to Become the Leading Digital Publisher in Europe

Axel Springer started as a traditional print media company and has made a successful transition to become a significant player in the digital media space. Sebastian Voigt, Senior Vice President of hy Technologies, a subsidiary of Axel Springer, reflects on the journey so far.

Sebastian Voigt
Senior Vice President at hy – the Axel Springer Consulting Group

The company was founded in 1946 and published "BILD," the newspaper with the largest circulation in Europe. Axel Springer's traditional publishing business model has been disaggregated and attacked by digital disruptors. The company's classic product is composed of three, primary business models: journalism, advertising, and classifieds, all of which have been disrupted.

Two of the models have gone to completely different players. Advertising has gone to companies like Google and Facebook. Classifieds have gone the way of digital disruptors like Monster, Indeed, and local real estate platforms.

If Axel Springer were to remain true to its core business model, journalism remained its only opportunity area, which would primarily consist of transforming the printed business into the digital world. That isn't effective because the number of paid digital users is much lower than the number of printed subscription subscribers 15 years ago. The pricing model also doesn't make sense. In a printed model, the company would receive €30.00 per month for a subscriber, but in a digital model a subscriber only pays €4.99 per month.

Reinvention of the Company

The motto at Axel Springer is now "Disrupt yourself." The company decided to completely rebuild itself and, as a result, has rebuilt the company into a tech ecosystem company.

The company took the time to understand what was making new models successful. First, it is important to coordinate supply and demand. Platforms reduce friction in markets and lower transaction costs for all parties involved. Second, most successful new models have limited inventory, such as Alibaba, Facebook, Netflix, Airbnb, and Uber.

With this in mind, Axel Springer focused on investments in ventures, and models that did not exist in the classic portfolio. The transformation of the company was driven by investment in early stage and growth stage companies, which resulted in a reverse takeover of the entire company.

There are several key takeaways from the Axel Springer transformation:

- Axel Springer's digital growth story comes from the company's ecosystem strategy and successful digital investments into growth-stage companies, which were non-core to the news business.
- Axel Springer missed out on some investment opportunities, including Google, but the strategic focus on content and classifieds media helped the company become the European market leader in both segments.
- The company's biggest business model changes are still ahead as the media landscape continues to move rapidly.
- Platforms are a truly global game which requires strong investments.

Innovation Ecosystems Enable to Tackle the Grand Challenges

Why are innovation ecosystems needed? Johanna Fräki, leading Innovation Ecosystems at Neste, says that the pace of innovation is accelerating year after year. We are also now trying to solve such big problems, like mitigating climate change, that the scale of the challenge is too big for one company.

Johanna Fräki
Innovation Ecosystems at Neste Corporation

No single company can survive these pressures without the help of external partners. Working together with partners who represent different parts of the value chain helps us find solutions to these big challenges faster.

Neste began over 80 years ago as an oil refining business. Recently, the Harvard Business Review named it as one of 20 companies that have achieved the highest-impact business transformation over the past decade. That's because today, 94% of Neste's profits come from renewable businesses, and they are the fourth most sustainable company in the world according to the Global 100 Index 2021. They are now in the business of fighting climate change.

Neste didn't achieve these changes on their own, says Johanna. The company partnered with airlines, plastic producers, and customers to make the change happen. They made the transition from a closed innovation model to one that embraces the creation of an innovation ecosystem.

In a closed innovation model, everything is internally focused and done in-house. Companies developed a product and then sold it to customers one by one. The days of using a closed innovation system are over, though, and not only for Neste. When it comes to solving problems like climate change, all possible solutions are needed because the global challenge is so enormous. To find those solutions, there has to be a new way of working, and that's through the development of innovation ecosystems.

This goes beyond the traditional open innovation model. Open innovation encourages partnerships or innovation value-chains, but there is still a one-product, one-solution focus. Innovation ecosystems are bigger than that. They involve a much bigger collection of partnerships, with more innovators and a higher degree of openness. Game-changing innovation ecosystems will welcome a lot of different partners, from areas like the corporate world, startups, research organizations, or municipalities. They will also include the end-users, which might be consumers, companies, or governments.

Innovation ecosystems can solve much bigger problems by sharing a joint vision. Within the model, companies become platforms for change. They become the places where discussions are taking place and people are finding solutions. Those solutions are what translates into new business opportunities.

Johanna says that an innovation ecosystem is a great tool if the goal is to solve big challenges like climate change. To get started, you have to be very clear about the purpose of the ecosystem. Once the purpose is clear, then you can start carefully selecting the partners you want to engage. These partners should be passionate about the purpose of the ecosystem. Reiterate that purpose often to keep everyone aligned with the goal.

This shouldn't be about organizations. Organizations need to change and be willing to change. What it should be about is people, and bringing people with diverse competencies and professional backgrounds together. That's what is required to solve these big issues.

Culture, Talent & Teams

Is Your Company Culture Killing Innovation?

For innovation to thrive, everyone has to contribute. But how do you set up a culture that enables this mindset and systems? What roadblocks do you have to clear in order to optimize your culture for innovation? For Gustavo Razzetti, Founder and CEO of Fearless Culture, there is no simple answer. Instead, a number of factors have to interplay in order to avoid your culture consistently killing innovation efforts.

Gustavo Razzetti
Founder and Culture Design Strategist at Fearless Culture

Culture is abstract. Different organizations might even have different definitions of the concept. Some believe it's driven by leadership, while others believe in a bottom-up approach. At the same time, a strong grasp of the real culture within an organization, the culture, beliefs, and core values, is vital to create a system that enables and supports innovation.

That means paying specific attention to three cultural elements that, together, influence the success and failure of innovation efforts:

1. **Alignment** on the company's purpose, priorities, values, and rewards system.
2. **Belonging encourages** making mistakes, experimenting, providing feedback, and learning from each other to grow. This includes rituals and project celebrations, as well as failure recoveries and learnings.
3. **Agility** focusing on the norms and rules within the organization. It includes how meetings are managed, how authority is distributed, and supporting systems of innovation.

Getting all three of these elements to align means overcoming siz cultural factors that will otherwise inevitably cause innovation to fail.

Factor #1: Subcultures vs. The One-Size-Fits-All Approach

Every organization consists of multiple subcultures that can have very different approaches, mindsets, and even norms. They might be in service of a larger organizational culture, but require an approach that is much more nuanced than simply pushing cultural change or an innovation mindset on the entire cultural ecosystem.

For example, it makes sense to support innovation differently in different subcultures. Some, especially when they have less to lose and more to gain, may be more open to new ideas and change. These subcultures deserve the room and space to become centers of innovation within the larger organization.

Factor #2: How the Organization Deals With Mistakes

We're taught in school that mistakes are bad. Unfortunately, too often, that leads to a low-tolerance culture even in some of the largest global organization. A low tolerance for

mistakes, in turn, suppresses the urge to try something new, experimenting to come up with new ideas or test assumption, for fear of failure. Trial and error, a crucial part of the ideation and incubation process, becomes a no-no.

On the other hand, research shows that better leads tend to be those who have more documented errors. They don't necessarily make more errors, but are more willing to both admit and document them, fostering both a culture of more fearless ideation and better ability to learn and improve on their mistakes. Failing becomes failing with a purpose, embracing the resulting learning opportunities and avoid repetition of the same ignored or suppressed mistakes.

Factor #3: The Reward and Punishment System

It doesn't matter how much a company recites that they're purpose or innovation-driven. The culture reliably proves whether the organization is able to put their money where their mouth is.

Rather than punishing anyone who fails, it's about rewarding both effort and successes. That means promoting managers that are willing to embrace risks as long as they're well-guided, as well as rewarding a general willingness to experiment for the sake of bettering the company.

At Tata Motors, this reward and punishment system has become a part of the cultural fabric. Leadership treats mistakes as goldmines of opportunities, while an award called Dare to Try rewards employees for relevant ideas, regardless of success or failure. Through systematic rewards, as well as the courage to avoid punishments for well-intended mistakes, the organization has comprehensively built its innovation efforts.

Factor #4: The Purpose and Practice of Feedback

How the organization shares feedback can go a long way towards its potential for innovation. By design, its purpose is to propel the organization into the future. Unfortunately, too many companies use it to look backwards, rehashing past mistakes rather than looking forward.

Spotify has looked to correct this natural tendency with its 70-20-10 model. In its feedback sessions, only 10% of time is spent looking at what happened, while 20% of time is focused on what's going on in the present. Meanwhile, 70% of the time is spent looking forward, towards what the organization wants to achieve and what the future might look like.

Factor #5: Rules and Norms Within the Organization

Rules and norms, in many ways, make up the functional part of an organization's culture. The problem is that the way they're applied can often hamper innovation.

In many organizations, a mistake tends to lead to a new rule. That rule, in turn, is applied to the entire organization, punishing the majority of employees. But here's a truth: according to research, 97% of employees in an average organization want to do the right thing to help the organization thrive. Rules need to encourage, not discourage this supermajority.

Rather than punishing well-intended failure, rules should give employees the freedom to act in the organization's best interest. While not every employee may be part of the actual innovation team, each can contribute actively or passively when giving the right environment to thrive.

Factor #6: Authority vs. Empowerment

Finally, it's important to go beyond the corporate-speak empowerment of employees, which tends to be more a belief than an actual, actionable piece of the culture. Employees are inherently powerful. What they need instead is the authority to make decisions, test assumptions, come up with new ideas, and so on.

Authority, of course, cannot be unchecked. Leadership still needs to drive innovation, but it needs to come from every level of the organization in equal measure. Distributed authority to express ideas, and move these ideas forward, can go a long way towards creating a culture that nurtures and encourages innovation.

The Imagination Machine: How to Compete on Creativity

Every great company was founded on an act of imagination—an idea that went against conventional wisdom at the time. But many companies have lost the ability to imagine. BCG Henderson Institute's Martin Reeves explores how organizations can reignite imagination and keep it alive systematically.

Martin Reeves
Chairman at BCG Henderson Institute and Senior Partner and Managing Director at BCG

We are used to thinking in terms of two types of companies. On the one hand, there are the small, high price-to-earnings ratio companies with very high growth and no cash, 90% of which will fail, and some of which will eventually become the big companies of tomorrow.

On the other hand, there are the large incumbents who have been around for a long time and are expected to stick around for longer than the working life of the average employee. The small startups are seen as focused on innovation and disruption, whereas large incumbents are supposed to focus on optimizing stable business models.

However, this is no longer a tenable view of the business environment. Established incumbents can no longer think in terms of optimizing a settled business model because competitive advantage is now fading faster than before. In the 1980s, outperforming companies used to sustain their advantage for a decade, and sometimes longer than that; now, they regress to the mean in a year or two. As a result, the number of companies exiting the Fortune 500 annually has risen by 36%. In short, big companies can no longer rest content with the business model that delivered yesterday's success.

The good news is that companies large and small can renew their future growth potential by becoming ambidextrous, optimizing today's business model while self-disrupting and re-imagining themselves in search of tomorrow's sources of competitive advantage.

Companies that become 'imagination machines' have the power to increase their growth option value and defy the gravity of average performance.

AI Will Force Businesses to Compete on Imagination

With the rise of AI, human work will increasingly focus on higher-order cognitive capacities. AI is already capable of surpassing humans at correlative thinking: if this happens, what else happens? But humans, unlike machines, can think at a level above noticing correlations. We can engage in causal thinking and, most importantly, counterfactual thinking. Humans are uniquely able to think about what isn't yet, but could be.

Eventually, as routine management tasks are taken over by AI, we will have to migrate human labor to more uniquely human types of cognitive activity, like counterfactual thinking and empathy. This is why imagination – the ability to create mental models of what doesn't yet exist- is critical to future competitive advantage.

Imagination Can Be Harnessed Systematically

There is the widespread misconception that imagination is a "mysterious" capacity that a few gifted individuals exercise in passing moments of mystical enlightenment. In fact, everyone has the capacity for imagination, and imagination can be harnessed as a collective activity within an organization.

Below you'll find concrete actions that you can take to unlock imagination throughout the six stages of the idea life cycle.

The Seduction: For imagination to be harnessed in business, it first needs to be triggered or inspired. Something needs to seduce us out of our routine way of looking at things into the realm of counterfactual thinking. Cognitive science tells us that imagination is triggered by surprise. To effectively seek and pursue surprises, it is important to reflect on accidents, investigate anomalies, and find analogies that can stretch or challenge one's mental models.

The Idea: We might encounter inspiring accidents, anomalies, or analogies, but these won't amount to much if we don't put effort into developing an idea. To harness imagination, we need to turn passing thoughts – triggered by surprise – into starting points for rethinking our mental models, to develop new, valuable, counterfactual models.

The Collision: A new mental model remains just an individual indulgence unless we act upon it – to collide the idea with reality, spur our imagination again, and drive the further evolution of the idea. Action can accelerate imagination by probing early, selectively, playfully, and iteratively.

The Epidemic: An idea which is not communicated, evolved by others or adopted can never create new realities and be of economic value. Since an idea cannot be directly observed, we need to share ideas socially by creating prototypes, sharing the experience of developing them together, or hearing and being motivated by a narrative that underscores their significance.

The Encore: As they grow, businesses face the challenge of being mentally ambidextrous: on the one hand, having the corporate machinery to exploit developed ideas; on the other hand, being able to continually explore new ideas. Businesses need to be able to harness imagination repeatedly to become true "'imagination machines": organizations capable of transforming themselves by discovering new paths for growth.

Psychological Safety for High Performance

Similar to Maslow's hierarchy of human needs, a hierarchy of team needs guides organizations in reaching their greatest potential. At its foundation is the emotional intelligence of the leader that facilitates an environment of psychological safety. This climate of psychological safety allows for true collaboration, which, in turn, fosters mastery and innovation, as Laura Delizonna outlines.

Laura Delizonna
Executive Coach, Author, Speaker, Stanford Instructor

Psychological Safety: What is It & Why is It Necessary?

According to Amy Edmondson of The Harvard Business School, psychological safety is 'a climate where people feel safe taking risks and being vulnerable.' Here are some reasons to cultivate a culture of psychological safety in your organization:

- Essential for high-performing teams
- Allows people to get on the same page and engage in honest dialogue
- Increases team members' belief that others are 'on their side,' which can lead to the freedom to take risks, take responsibility, positive conflict, open and thoughtful communication, all of which are behaviors that lead to innovation.

In the fast-paced, high-accountability environments of our modern-day businesses, psychological safety is vital. When psychological safety and accountability are low, team members are apathetic and not engaged. Also, employees do not feel safe in high-pressure settings where performance expectations are high but psychological safety is low. There is no freedom to express opinions, which can kill a team or organization.

Conversely, when psychological safety is high, and accountability is lacking, a 'comfort zone' is created where individuals are not challenged, and creativity does not flow. But when accountability is high and psychological safety is high, teams operate in the 'performance zone' where there is cognitive diversity that keeps ideas flowing and a rapid learning environment that facilitates innovation.

The 4 Cs of Psychological Safety: Fueling High-Performing Teams

Understanding the importance of psychological safety is a fundamental first step to your team's success, but having a plan to create this environment within your organization (both in-person and remote) is paramount.

Care

Caring It is about letting people know they are more than a cog in a wheel. Relating to people on a human level creates bonds and a sense of belonging.

Benefit for innovation: A caring atmosphere increases motivation and allows individuals to do their best work.

How you do it:

- **Get to know each other:** Engage in small talk, create checking in/celebration rituals, and be deliberate about follow-up.

- **Support team members' development:** Provide opportunities through coaching, mentoring, access to training, uncover members' goals/challenges, ask curious questions about how you can best support individuals in their jobs.

Courage

Create a culture where it is acceptable for team members to make mistakes.

Benefit for innovation: When employees are assured their work environment is safe, they have the permission to experiment, grow, and learn.

How you do it:

- **Model vulnerability:** Convey that you do not have all the answers but are excited to learn with the team. You can express this action in phrases such as, "I don't know," "I haven't.

- **Admit mistakes:** Reframe mistakes as a learning journey. Share your challenges/growth journey and own mistakes publicly and immediately.

Co-Elevate

Utilize your position as a leader to elicit greatness within your team members.

Benefit for innovation: When individuals feel valued, it further enhances the relationship bonds, allowing them to be at their best and fully contribute to the shared vision.

How you do it:

- **Express appreciation:** Verbalize appreciation to employees and do it often.

- **Solicit input:** Lead the charge in developing an inclusive team. Draw out voices that may be silent. Purpose to ask more than you are telling (use open-ended questions and pose statements that promote feedback). Communicate in a way that validates and encourages those who speak up. Be deliberate about creating team procedures that support candor (small group settings, oral and written feedback)

Commitment

Developing a strategy for implementing the actions mentioned above will increase the likelihood of your plan's success.

Benefit for innovation: Committing to creating a psychologically safe environment will demonstrate your significance on the work and the person.

How you do it:

- It is really up to you and what fits with the culture of your organization, but at minimum commit to trying at least one of the methods mentioned each day.

Building Innovation Culture with Tiny Habits

In order to change a corporate culture to cultivate innovation, you must focus on changing what people do. Culture is composed of the methods and approaches used to tackle organizational problems. Culture dictates the way that recurring problems are addressed and defines the priorities given to different types of problems. When a culture is customer-centric, you see it in everything the company does.

Tristan Kromer
Innovation Coach &
Founder at Kromatic

Culture is a learned behavior and is about what people actually do. When we see people doing something, it impacts what others consider normal and acceptable solutions. Culture is developed as a result of the small things that everyone in the business does on a regular basis. These tiny habits range from the language used within the business to the process in place for solving day-to-day problems.

Kromatic's Tristan Kromer outlines the need to create habits around behaviors that serve an important job that drives the overall purpose of the desired culture.

Culture Behaviors

A healthy culture is made up of consistent, positive behaviors by all employees. Choosing the right behaviors involves looking at different variables and ensuring you're tailoring the approach to your own organization, not just choosing the ones that work for other businesses.

Behaviors that often demonstrate a healthy innovation culture include:

- Retrospectives
- Peer to peer coaching
- Root cause analyses
- Radically candid feedback
- Sprint demos
- Knowledge sharing
- Post and pre mortems

To influence culture change, you need to think about shared behaviors rather than individual behaviors. Change of behavior at an individual level won't shift the organizational culture. Instead, focus on behaviors that are beneficial for everyone in the company to adopt.

These behaviors need to become habits. A habit is a settled or regular tendency or practice, especially one that is hard to give up. The goal is to create something so pervasive in the culture that it is almost impossible not to do.

One of the most powerful ways to develop habits is through the Fogg Behavior Model. The basic premise is that for any behavior that you want to implement, you need some sort of prompt or trigger. The lower your motivation, the easier you need to make the habit to do. Otherwise, the prompt won't have any effect. An example of a naturally occurring trigger and subsequent action could be:

1. Every time a meeting ends

2. You write down one good thing and one area of improvement from the session

Once the action is accomplished, there must be a reward. As a rule for creating the right behaviors, having a naturally occurring reward is best. It's okay to create artificial incentives, but if the habit cycle is self-sustaining, it's much easier to let it run on autopilot.

The Job of Culture

The problem with many corporate culture statements is that it is not always clear what the purpose is of the behavior, how it is visible, or how it will be measured.

Purpose

The purpose of work culture is to align teammates to achieve a certain goal. If your team is not aligned, the culture is not serving its purpose. An example of a culture that does not serve a purpose is blame culture. The intention may be to encourage a change in employee behavior, but the more likely result is to cause individuals not to speak out or volunteer.

To help identify the purpose of organization habits, work to identify the functional job and social/emotional job of the habit. For example, having 1:1s between a direct report and line manager is a behavior. The functional job is to promote bidirectional communication in the hierarchy, and the emotional job is to ensure the direct report feels heard and support social bonding.

Measuring the Behavior

If every cultural behavior has an objective, then the outcomes should also be measurable. From the beginning, you need to understand:

- What should happen if the behavior is adopted as a group?
- What should the impact be?

The answers to the above should be strongly linked to the functional and emotional job of the identified behavior. Only by doing this will you be able to actually gauge if what you're doing is working. Having metrics in place from the start is the best way to ensure you don't waste time, money, or resources.

Continuing with the example of 1:1 meetings, there are a number of ways to measure whether the meetings are serving the functional and emotional job they have been assigned. First, you can secure qualitative feedback from a group of employees or run a broader survey to gauge their reaction to the meetings. You could also look at the percentage of the 1:1 meetings that are canceled or delayed. This will provide insight into whether the meetings are being prioritized. If not, they likely aren't accomplishing either the functional or emotional jobs.

Based on the measurable feedback from a behavior, you need to be prepared to take action. If a behavior is not serving its desired functional or emotional job, it should not be allowed to continue as-is. The behavior either needs to be improved or eliminated.

Forming the right culture within your organization isn't something that happens overnight. It takes time and effort, but it's possible. By forming tiny habits, and encouraging the right behaviors within your business, you can create an innovation culture that goes beyond the buzzwords and generates authentically productive work culture.

How to Build an Innovative Culture

You can't have an innovative culture without leaders whose behaviors align with the desired culture. Culture and leaders' behaviors are two sides of the same coin. Culture is a pattern of shared assumptions about beliefs and acceptable behaviors, and an organization's culture reflects the values and behaviors of its leaders.

Alessandro di Fiore
Founder & CEO at ECSI

If you want to have an impact on culture and change it, the most actionable lever is to think about the behaviors of the leaders. Alessandro Di Fiore details the behaviors required to build innovative culture at an organization.

Failure of Culture Programs

There are two primary downfalls of programs attempting to drive a shift in organizational culture: (1) lack of consistency between the espoused values and actual leaders' behaviors; and (2) a program that is simply a communication initiative on values.

Many culture programs consist of a published manifesto that doesn't actually anchor to a social commitment of the leaders. The people in the company see the disconnect between what the leaders are doing and the manifesto. The program then simply becomes a communication initiative cascading down in the organization. The more the cascading is effective, the more the disconnect becomes visible. This visible disconnect too often results in employee cynicism and disengagement.

Culture change is hard, and it takes time. Most employees are still in an industrial age mindset, and it takes a true investment to change that. Corporations lack a workable framework that empowers organizations to transform. One requirement for a successful culture change program is something to measure. Without measured progress, there is a perception of failure.

Five Paradoxes of Innovative Cultures

There are five paradoxes that are required to support an innovative culture.

1. Tolerance for failure but intolerance for incompetence

- Corporations must create a culture that simultaneously values learning through failure and requires outstanding individual performance. A good start is for senior leadership to articulate clearly the difference between productive and unproductive failures.

2. Willingness to experiment but highly disciplined

- Organizations that embrace experimentation are comfortable with uncertainty and ambiguity. However, they should select and design experiments carefully, with clear criteria at the outset for deciding whether to move forward, modify, or kill an idea.

3. Psychologically safe but brutally candid

- If people are afraid to criticize, openly challenge superiors' views, debate the ideas of others, and raise counter perspectives, innovation can be crushed. At the same time, the feedback and discussions should be frank and direct.

4. Collaboration but individual accountability

- Too often, collaboration gets confused with consensus. And consensus is poison for rapid decision-making and navigating complex problems associated with innovation. Ultimately, someone must make a decision and be accountable for it.

5. Flat but strong leadership

- In culturally flat organizations, people are given wide latitude to take actions, make decisions, and voice their opinions. Lack of hierarchy, though, does not mean lack of leadership. Paradoxically, flat organizations require stronger leadership.

The crux is that you cannot focus on only one or two of the paradoxes. The balance between each of the paradoxes is important.

Developing a Social Contract

For true culture change, corporations need a new model. One new approach is to develop a social contract among leaders. The social contract is an agreement governing the behaviors of the leaders. The assumption is that cultures develop based on a pact among individuals about what kind of environment they want to live in and need for performance. The leaders at different levels must comply with the social contract in order to generate traction.

The following series of steps can be used assess the leaders' proposed behaviors:

- Survey to assess the as-is culture using the five paradoxes.
  - The survey should have individuals assess their leaders anonymously. This quantifies the baselines.

- Social contract workshop
  - Level 1-2 leaders focusing on the five paradoxes and split in teams to discuss each paradox and related concrete behaviors
  - Which leaders' behaviors need to be stopped, which ones need to be started?

- Townhall or fair
  - Level 1-2 leaders present the work done on the five paradoxes and participants discuss, build and vote on the results
  - Develop an overarching "slogan"

The results of the above model allow for a visual assessment and display of the behaviors and comparison of the "as is" culture to the "to-be" leadership behaviors.

Once the desired "to-be" state is determined, it can be communicated to the company. There must be mechanisms to ensure the behaviors are sustained including regular meetings with feedback on the behaviors and "walk the talk" moments. The behaviors must be embedded and then measured at regular intervals to see progress versus the baseline.

There is a continuous need to evaluate innovative culture and develop tools to support cultural change within corporations. Recent efforts focus on development of benchmarking tools for innovative culture to support future research on innovative cultures and similarities and differences across industries. These tools will better enable organizations to assess the progress in developing an innovative culture.

The Power and Pitfalls of Self-Appointed Idea Teams

Ownership is one of the core success factors in innovation. As Jesper Müller-Krogstrup, Founder and CEO at Nosco explains, self-appointed teams can go a long way towards building that sense of ownership; as long as some key pitfalls can be avoided and mitigated.

Jesper Müller-Krogstrup
CEO at NOSCO

Innovation as a whole can fall into countless pitfalls. One major issue is frozen pipelines, with current projects not truly moving forwards or backwards and making it impossible for new ideas to move forward due to a lack of resources. Especially in large organizations, it can become almost impossible to kill ideas that people have been spending years and significant resources on.

At the same time, organizations tend to struggle to build a true innovation culture in which everyone wants to contribute, and participates in the larger process. Enter self-appointed teams, a natural way to counter both of these common issues.

Moving Towards a Team-Driven Innovation Challenge

Innovation challenges standardize the process, moving potentially thousands of ideas into a streamlined process that builds buy-in and forward momentum. They require mobilizing the entire organization, from the c-suite to every level of management. They also require a standard process for incubation, turning ideas into action and tangible business concepts.

But above all of these challenges, there is one key to success: self-appointed innovation teams. When people fall in love with the right idea, and have the power to execute that idea, they can make all the difference in building more dynamic, successful, and all-inclusive innovation cultures and results.

That requires facilitation. The ideal innovation team consists of four distinct roles:

- The team CEO, keeping the team together and on the same page, building individual strong suits into a greater whole.
- The team CMO, focusing on relationships through communications, presentations, and negotiations. The CMO also engages the larger network and motivates relevant stakeholders to buy in or participate.
- The team COO, who focuses on handling the project, getting and managing resources, ensuring deliveries, and ensures the overall progress of the idea.
- The team CTO, ensuring that the team get and develop the necessary knowledge and technology to meet the ambition of the project.

Each innovation team needs each of these roles buying into their responsibilities entirely. Failing in any of them is a major pitfall of a self-appointed team, which can only be avoided if each team member voluntarily buys into their role based on their individual strengths and belief in the idea.

Pitfalls and Solutions of Self-Appointed Innovation Teams at Every Step of the Journey

Innovation challenges focus on four major steps: mobilization, the innovation challenge itself, a subsequent incubation challenge, and the handover to the core business. Each of them comes with pitfalls, but also with relatively straightforward solutions.

During Mobilization

In the early stage, too many CEOs and business leaders think that a good idea is enough for execution. They may also take a wait and see mindset, or even think that it won't be possible to take key people out of their daily work.

Working on that organizational mindset is the biggest solve early on. Department heads and shift managers have to be able to free up their people, and budgets have to be assigned early. To address the first pitfall, it also pays to have a fixed start date and a clearly-set plan for designating the right teams to execute the ideas.

During the Innovation Challenge

During the crucial ideation stage, innovation can fail when the decision process is kept separate from sponsorship or ownership of the project. It's also dangerous to leave team formation entirely up to idea authors, because most will focus on extroverts without keeping the defined roles in place. Finally, giving teams too much freedom can be dangerous to execute even the best ideas.

In this stage, the solves focus around organization and training. Bringing in leadership early into the decision-making process builds buy-in, while training teams can prevent the issue of too much freedom. Finally, a structured platform and guidance process during the team-building stage is absolutely vital.

During the Incubation Challenge

When ideas begin to move into incubation, too many organizations treat the debrief using their typical methodologies for innovation including weekly standup iterations, and more. All teams are treated the same, following the same processes on top of everything they're already given. And once again, autonomy can cause teams to fail not knowing what steps to take.

The solution is simple: self-appointed teams still need guidance. That includes different processes depending on the idea and team makeup, along with dedicated time spent specifically on the new idea. Coach teams can help with that guidance, and sponsors can take place in real project meetings to continue buy-in. For managers losing their team, an added budget can help avoid work overload on either end.

During the Handover Stage

The last step of the innovation process can come with a significant danger: believing that it's over. As the project moves back to the organization, much of the work still needs to be done. The innovation project cannot be anchored too far down in the organization, and projects should only be handed over when they're truly ready. Finally, the idea team should, as possible, stay together to execute the idea.

To prevent these pitfalls, sponsorship remaining in the c-suite can be a vital solution. So is repeating incubation multiple times until the project is truly ready for the hand-off, and taking a central look at the tea to ensure it continues being optimized for the task at hand.

Self-Appointed Teams Could Cause a Cultural Shift

Working with self-appointed teams brings quite a few surprises to light. For example, many of the

best intrapreneurs are actual introverts. Teaming up with extroverted sellers and promoters helps them stand out, where in other environments they would not have the chance to shine.

Intrapreneurs, when appointed to their own teams, also begin to change the culture of the organization. By taking full ownership of their own ideas, they're able to create a true innovation mindset and become ambassadors for that mindset across the organization. The difficulty to close projects down mentioned earlier? When teams are in charge of their own ideas, they will shut down projects far earlier and easier.

When teaching intrapreneurs entrepreneurial skills, and providing them the right support, they begin to learn. They build an informal contract between leadership and innovation teams, trusting each other to get the work done. As such, self-appointed teams become one of the strongest innovation assets an organization can have.

3 Strategies to Nurture Relentless Curiosity

We like the status quo. This natural suppression of curiosity also suppresses the drive to iterate, innovate, and change. Driven by interviews and studies of organizations and leaders across the world, Francesca Gino, professor at Harvard Business School, has shaped her insights into curiosity as an essential part of innovation into three actionable strategies any leader can take to maximize opportunities.

Francesca Gino
Professor at Harvard Business School and Author of Rebel Talent

Curiosity impacts innovation and the ability to adopt in a few central ways. When we're curious, we end up nurturing deeper relationships, impacting decision-making quality across the organization. Curiosity leads to more diverse networks, fewer stereotypes, and a more open mindset for everyone involved.

The result is simple: communication becomes more effective, and so does team performance. It's a natural win-win. So why isn't everyone curious?

Change can be difficult. While curiosity is a natural component of any childhood, it goes away as the perceived judgment and impressions we make on others become more central. The cycle repeats for almost any professional joining a new organization: we're curious as we join, but that curiosity drops by at least 20% within nine months of being at the same position.

It's that shift in mindset that's vital to avoid. If everyone remains curious, the door to innovation remains wide open. These three strategies can help to get there.

Strategy #1: Embrace the Unexpected

Every leader will encounter unexpected situations. How we react to them is defined by our curiosity about the situation. Instead of looking at the mistake, or the constraint of an accident, are you able to look at the opportunity that comes with the unexpected?

It's about turning mistakes into learning experience, abilities to improve and innovate seemingly out of nowhere.

At its most simple, think about the COVID-19 pandemic. Saying "we can't wait to get back to the office" implies the inevitable. Truly innovative leaders, though, were able to look at the new constraint of virtual work, and see opportunities to improve the ways their company is operated far beyond this singular event.

Another example occurred at *Osteria Francescana*, a three-Michelin star restaurant in Northern Italy owned by chef and owner Massimo Bottura. When a usually detail-oriented sous chef dropped what would be the last dessert of the evening, Bottura didn't admonish the chef or use it as a learning experience. Instead, he saw an idea for a new dessert. Today, the deconstructed lemon tart is the most popular dessert at the restaurant.

Strategy #2: Create Continuous Learning Goals

Professional development is a natural part of almost every organization today at every level, from leaders to ground-level employees. It's usually tied to performance goals. But what if a second step was adding learning goals to continue embracing new knowledge, expertise, and opportunity?

Taking this step counteracts the typically opposed directions of curiosity and expertise. Traditionally, the more expertise we acquire, the less curious we become. Through learning goals individualized across the organization, leaders and employees alike can retain their curiosity long-term.

Take the 2009 *Miracle of the Hudson* as an example. On that fateful evening, Captain Chesley "Sully" Sullenberger flew into a swarm of geese just seconds after taking off from LaGuardia Airport. What saved his life and the life of 150 passengers was Sully's relentless commitment to learning.

His decades of flying experience would have made it easy to rely on what should be done. What made his actions heroic, though, was the ability to avoid that tunnel vision, and continue thinking about new possibilities to save his plane and passengers. He had walked into his cockpit every day, committed to learning something new. In those fateful seconds, it paid off.

Strategy #3: Create Conditions for Everyone's Curiosity to Thrive

Finally, curiosity for leaders is not just about themselves. It's about creating an environment that allows every member involved in the decision-making and innovation process to embrace their own curiosity and thrive.

That means being curious enough to know about everyone's environment, conditions, and needs to remain curious. It means continuing to ask questions, discovering more about others, and modeling these behaviors for everyone else in the organization to embrace.

It might be an unusual example, but pirate ships in the 16th, 17th, and 18th century

embody this model of curiosity. At the time, because they took in anyone with skill, they were among the most diverse organizations of their time. But they also elected their captain, who had to make sure they would create the right environment for everyone to thrive in order to stay in power.

Unlike so many other organizations of the time, race or gender were not part of the equation. A commitment to the mission, and the skillet, was all that was required. Because trust and respect was earned instead of expected, the captain needed a healthy amount of curiosity to create a successful environment.

The Contagious Nature of Relentless Curiosity

That last example also uncovers the final truth about curiosity: at its best, it's highly contagious. A curious mindset by leadership shows everyone how valuable it can be, allowing it to spread through all levels of the organization.

Relentless curiosity is about embracing opportunity within the constraints. It's about being willing to learn continually, never tiring to ask questions, and modeling that behavior for everyone else. Done right, it doesn't just lead to innovation; it allows us to become more resilient, enhance our productivity, and work better together to create a better, healthier, more forward-thinking mindset.

People Innovate, Not Companies

Today's world is moving fast. Speed is of the essence in a VUCA world that has been magnified by the COVID-19 pandemic. Ambidextrous organizations, who are able to combine operational excellence and efficiency with innovation excellence, will win. As Peter Daels, Managing Director at INNDUCE.me explains, that requires one thing above all: a focus on the people making the innovation possible.

We've heard of innovation as a necessary combination of leadership support, an innovative culture, and a strategy supporting a long-term future vision. But the truth is that without the fourth pillar, a strong innovation team, those three will not be enough. In the words of Steve Jobs, "Innovation has nothing to do with how many R&D dollars you have…

Peter Daels
Managing Director at
INNDUCE.ME

It's about the people."

The Essential Skills of Successful Innovators

Research on the qualities that make innovators successful is surprisingly sparse. Fortunately, in a co-commissioned scientific study, Prof. dr. Frederik Anseel from the Industrial & Organisational Psychology department at Ghent University found a specific set of skills that tend to make innovators stand out.

That research found that it's about more than just being creative. Successful innovators need amongst others to be curious, open-minded, able to use their resources correctly, communicative and have a strong will to persevere. At its core, though, innovation is the combination of three basic competencies:

- Ideation
- Championing
- Implementation

We're all familiar with the first part, the person who recognizes, analyzes, and solves challenges. But the ideator can only work alongside a champion, who builds the story to create support within the organization to drive towards a green light. That's when the implementer steps in, a more practical mindset that might not be the most creative part of the organization, but is able to translate creative ideas into real-world business applications. Seldomly you will find the 3 basic competencies of innovation to be at expert level in one and the some person. This makes innovation per definition a team discipline.

The Interplay of the Three Innovation Roles

All three of the roles tend to exist in most organizations. The key, then, is getting them to interact and work together from start to finish to drive towards organizational success.

The reality is that, after an analysis of the results of the INNDUCE.me assessments, only 16% had a specialist innovation profile excelling in ideation, championing or implementation. The remaining 84% of innovators are have a generalistic innovation profile meaning that they don't significantly do better on one of the three basic competencies of innovation and fall into one of three categories within that generalist role:

- **Innovation contributors** have a basic level of ideation, championing & implementation. When selected for an innovation team it is for their specific knowledge, expertise and/or functional skills rather than for the strength of their innovation skills.. Because of their functional expertise & knowledge they take up a very important role within an innovation team

- **Innovation partners** have an intermediate level of the three core competencies of innovation. As they are not strong enough yet, Innovation Partners work primarily in support of the ideator, champion and/or implementer of the core innovation team.

- **Innovation masters** are at expert level on all three core innovation competencies and are the ideal candidates to lead drivers of innovation within the organization. However, only 8% of those who have taken the assessment fall into this category.

The best innovation teams, then, are the ones with a healthy mix between all three skill sets, and all three roles. Innovation at its best is teamwork, all contributing according to their best skills and towards the greater whole. The innovation dream team becomes one that is dedicated to a single team, with all 3 basic innovation competencies working together from start to finish. That's what is needed to accelerate innovation together with your people.

Innovation Talent Predicts Business Results. Are You Using Yours?

During the Industrial Age, companies needed talent that could specialize in a specific task. The end goal was to reduce errors while maximizing manufacturing output. So the most desirable talent within the mass production environment needed to be reliable, efficient, and predictable.

Suzan Briganti
Founder, CEO & Head of Product at Swarm Vision

In the Innovation Age, companies need a different type of talent. Employees need to be adaptable and agile with the ability to problem solve as part of a team. Innovation talent needs to have a growth mindset while thriving in uncertainty.

But how do we cross the chasm from hiring operating for the Industrial Age to operating for the Innovation Age?

The problem, says Suzan Briganti, CEO of Swarm Vision, is that we're still largely staffing for the Innovation Age in the same way we were staffing for the Industrial Age. A lot of hiring today is based on extrinsic factors. These are things like academic background, job titles, and previous employers. Companies are hiring based on scientific and technical backgrounds as imperfect proxies for innovation skills. The problem with hiring based on extrinsic factors is that 46% of new hires fail within the first 18 months. 89% of that failure is due to intrinsic characteristics, not functional skills.

Hiring for fit isn't any better. It leads to hiring people who are like the management team, reducing diversification within the company. Now companies are begging for more diversity in their workforce, but the issue is a reflection of how they've been hiring for years.

Companies lack recognition of the importance that talent plays when it comes to innovation. No matter what approach to corporate innovation an organization uses, the approach largely ignores the fact that innovation can only come from people.

Moreover, it's about having the right people. Many companies attempt to staff for innovation by relying on their technical departments. They might move a product team into their new innovation center, or draft high-potential workers from the core business into the innovation team. Being good at product development or excelling within the core business doesn't mean you'll be good at innovation though. So companies look for creative types within the organization. Then they end up with a lot of ideas but no one who can execute them.

So how does a company find the right innovation talent?

Swarm Vision set out to answer this question by asking: "is it possible to predict the business outcomes from innovation based on who is involved?" Their research ended up being the world's largest study of serial innovators, identifying the traits and skills that predict business success from innovation, with 99 percent reliability. Through four rounds of research on four continents, Swarm found that the answer to its question was a resounding "Yes!". It is absolutely possible to predict the business outcomes from innovation based on who is involved. The predictive power is strong, too.

Through the study, they identified eight innovation skill clusters shared by successful innovators:

- **Drive:** Ambition, Initiative, Intensity, and Persistence
- **Disrupt:** Boundary-breaking, Thriving in uncertainty, Self-confidence
- **Create:** Novelty-seeking, Problem-solving, Uncommon Connections, and Growth mindset
- **Connect:** Relating, Persuading, Team-building, and Social-Organizational intelligence
- **Control:** Competitiveness, Financial-orientation, and 360-Degree Orientation
- **Think:** Information capacity, Rapid pattern recognition, and Reflection
- **Deliver:** Contextual goal-orientation, Resourcefulness, and Adaptability
- **Give:** Benefiting others, and Making the world better

When Swarm tests employees inside large organizations for these skill sets, on average 22% of employees have a high degree of all eight innovation talents. They can deliver Horizon Two and Three innovations and take them to market. About 75% of employees score high in at least two of the eight skills, and those people can play a very important role in innovation. You can build successful innovation teams by putting together individuals with talents in one or two skills, building a team with strengths in all eight areas.

Knowing the traits of successful innovators allows organizations to identify talent at a granular level. They can use the information to improve existing teams or build stronger ones in the future. They can also hyper-target innovation training to upskill where it's needed the most within the organization.

The Science of Innovation

Dr. Alan Cabello from Sparkademy offers a look at how to develop innovation over time. There are three basic dimensions to innovation: the individual, the team, and the context. They must work together for effective innovation efforts.

Allan Cabello
Co-founder and CEO at Sparkademy

The Individual: Neuroscience and Innovation

At its core, innovation is a science. This is demonstrated by the fact that you can measure an individual's innovation potential by tracking their brain activity. Four brain functions have been identified as critical to innovation: attention control, working memory, planning and generatively, and cognitive reflex and abstract thinking. A brain scan can measure the important functions while an individual is performing a task.

The four functions all operate in the neuroplastic part of the brain, which means they can be trained. While a person might be operating at a certain level for any of these functions, the brain can be trained to perform at a higher level.

To develop any of the four functions, the individual must apply themselves and "exercise" the brain function. While some people are more predisposed to develop these functions, training the functions allows an individual to develop higher innovative skills. This development will take time, but it can be measured over time.

Measuring these four functions enable companies to assess individuals who are better equipped to spark innovation and transformation within the organization. It is also not necessary for all members of a corporation to be high on the innovation spectrum. A company should assess its roles and desired balance

Additionally, innovative individuals and companies must strike a balance between looking for new opportunities and then exploiting them. This requires an ambidextrous approach, switching between exploration and exploitation.

The Team: Psychological Safety

Amy Edmondson has developed a team learning model with four essential components:

1. Team Structures: Team leader coaching and context

2. Team Safety and Efficacy: A team that feels safe and has trust in each other

3. Team Learning Behavior: How a team receives feedback, discusses errors, seeks feedback and information from customers and others

4. Team Performance: Satisfied customer needs and expectations

While many companies focus solely on team performance, the three preceding factors must be present to create a high performing team. For example, team safety and efficacy is necessary for members to trust each other, learn, grow, and ultimately practice innovation.

The Context: Persistence

Persistence is key for innovation. Companies that have continuously worked on innovation are the ones that show the highest level of innovativeness and profitability over time. The most difficult barrier for companies is filing their first patent. After that first patent, the rate of filing increases dramatically.

The Measurability of Innovation

With a better understanding of the individual, the team, and the context, the next step is to understand how innovation is measured. Historically, innovation was measured with research and development expenditure. This is not a sufficient measurement of innovation.

A company with a different R&D model and low expenses can still be innovative. Other corporate innovation indicators include:

- Innovation hubs
- Innovation initiatives
- Corporate venture capitalism
- Learning and development

The key question is: is your organization continuously investing in different innovation strategies over time?

There are a number of options for measuring innovativeness at your organization:

- Innovation Department: Number of pilots or MVPs that result in new products or services
- R&D: Number of patents that result in new products or licensing
- Corporate Venture Capital: Deal flow that results in exits
- L&D: How many hours per person that results in retention of talent

To measure the innovation of a team, it is important to assess team psychological safety. There is a psychological survey available to assess the psychological safety of the team, including rating statements like "It is difficult to ask other members of this team for help" and "People on this team sometimes reject others for being different."

For individuals, an assessment should focus on ambidexterity and understanding of human needs. Ambidexterity is tested by measuring an individual's ability to recognize patterns and make decisions. The understanding of human needs focuses on emotional intelligence and the ability to identify the motions of others.

Building the Teams for Solving Hard Problems

The Studio team at Citi Ventures focuses on solving hard problems. That studio is led by Valla Vakili, Managing Director & Head of the Studio team. These hard problems are things like eliminating poverty and hunger, providing everyone with quality education, or creating economic growth. It takes extraordinary measures to solve these hard problems, and traditional innovation teams aren't equipped to deliver those solutions. To solve hard problems, we have to completely break with old innovation methods and create something new.

Valla Vakili
Managing Director, Head of Citi Ventures Studio at Citibank

Valla says he's optimistic about our ability to create the new teams, models, and methods required for this. His optimism comes from the massive market of people who want to buy sustainable, safe products. That

market will make demands and innovation teams will learn how to deliver on them. This market is also where all the talent is going. Younger generations want to work on the hard problems and find solutions that benefit society. The next generation is educated, diverse, and setting expectations that products and services meet citizen needs.

The young are coming to power. They are going to run new businesses and deliver different outcomes. If we want to build innovation teams that can start doing this now, says Valla, we have to build teams that can excel at two things: scaling inclusivity and mainstreaming sustainability.

Scaling Inclusivity

If the teams creating the products to address societal challenges aren't made up of the people experiencing those societal challenges, it won't work. Groups need greater representation in the development of products and services if they want to meet the needs of the market. Teams that are inclusive in their composition excel in a way that traditional innovation teams (which were primarily white and male) cannot.

The key skill to scaling inclusivity is to be able to build trust. Leaders are often met with skepticism when they want to bring more diversity into their innovation team. It's often assumed that they are doing this because someone told them to. In reality, they may be trying to solve a problem that depends on having the right representation to find the right solution. While everyone is trying to build more diverse teams right now, it's the leaders that are able to attract diverse talent through trust that will have a competitive advantage in the market.

Diversity is most important in product teams, which is where exclusion has historically been the strongest. The in-built practice of traditional innovation is to hyper-focus on a customer profile. When they do that, they end up with products that exclude rather than include.

Mainstreaming Sustainability

In the new model of innovation, teams have to consider sustainability from the outset. The business model has to incorporate sustainability from the beginning instead of dealing with it at the end as an afterthought. To do this and make sustainability mainstream, leaders have to be great storytellers. When they can tell a story that encompasses sustainability attributes, they are able to show how those attributes can command the market. After all, customers will pay a premium for products and services that deliver on a broader range of needs.

The data team is key in this storytelling process. In traditional innovation processes, teams don't start collecting data until they test their prototypes. The majority of data comes in after launch, and it's geared towards the idea of optimization and scale. In the new innovation model, data needs to come in much further upstream. Data needs to help define what society's expectations are and what value looks like to that society. This changes the landscape before a product is even conceived. Data teams can help shape the scope of work and inform the process to deliver a new business model.

Swiss Post's Innovation Culture – Snapshot of a Journey

Roland Keller
Head of Innovation Culture
at Swiss Post

Swiss Post is a state-owned organization that once had healthy financials, happy customers, and 50,000 employees. Recently, though, there have been major changes in the key markets they served. Customers wanted their services personalized, mobile, and instant. New players in the market were changing things, too, with companies like Uber Eats and Amazon Prime now playing in the key areas that Swiss Post once did best.

This started to put a lot of pressure on the organization. Volume and margins were taking a big hit, with overall net income falling by 37%.

Swiss Post had to innovate or face extinction. If the business environment was changing, then Swiss Post had to change, too, says Roland Keller. As Head of Innovation Culture, he believed that a dynamic country like Switzerland needed an equally dynamic postal service, and so his team started to reinvent the service.

They started by creating a new vision and strategy that put growth at the core of the business. They set clear goals and began to make major changes to the organization. Some of these changes included:

- **Implementing a new organizational structure.** In doing so, they raised digital capabilities to the corporate level to make space for new digital products. This change in structure also required changing some people, such as a new CEO and new Head of Digital. Every manager had to reapply for their job to ensure they were the right fit for the new strategy and focus. They also got rid of performance incentives and replaced them with team incentives.
- **Eliminating a central innovation team.** Instead of an innovation team, all units were given the mandate to innovate. The business units have the money and the power to develop their own innovative solutions, and they each set up their innovation process in the way that works best for them.
- **Building an internal culture of collaboration and entrepreneurship.** They set new priorities for business units to boost creativity and curiosity for new business ideas. By reducing governance and encouraging innovative thinking, business units feel empowered to research and try new ideas. They are tracking the effectiveness of these cultural changes through surveys, send out the first one before they launched the changes, and doing several throughout the transitions.
- **Hosting Boost Camps.** Boost Camps are three to five-day workshops where teams can present their ideas to experts from legal, IT, and finance, and other areas of the organization. If they are accepted, they go into a testing phase right away to start gaining those early wins. Then they start looking for sponsors within the business to take validated ideas into production.

- **Promoting external partnerships around the world.** Swiss Post is now working with startups, universities, and public institutions to develop new solutions within their key focus areas of communication, logistics, passenger transport, and financial services.

- **Speeding up internal methods and processes.** Meeting their high quality standard required putting a lot of time and money into new products. To speed up innovation, they adopted a lean startup methodology and created an Early brand label for all new products. Using the Early label, they can release products and services for market testing while still allowing customers to rely on traditional services. The label helped Swiss Post manage customer expectations while protecting its reputation. It also helped reduce internal governance, giving people the freedom to innovate quickly and fail fast.

Connecting The Dots – Creating an Innovation Network at the Core of an Innovation Ecosystem Inside a Global Life-Science Company

Major, established global corporations don't always take well to innovation. Their culture tends to be built around efficiency and control, naturally suppressing creativity. But that challenge is far from impossible to overcome. Henning Trill, VP of Innovation Strategy at Bayer AG, explains how his effort to create an innovation network in one of the largest life-science companies in the world has succeeded through culture change.

Henning Trill
VP Innovation Strategy at Bayer

The Opportunity to Include Everyone in Innovation at Bayer

How do you expand a mindset that is focused on efficiency and where innovation is traditionally relegated as an R&D topic? At Bayer, the answer was about shifting mindset with a program called Innovation Agenda. It was about introducing the idea that everyone can contribute. Convincing a workforce of about 100,000 employees to focus not just on daily goals but rather on a broader, customer-focused mindset.

The challenge, though, was not just to bring new methods for innovation and creative thinking into the teams. Within the R&D departments, the idea of someone from the corporate centre coming in and telling them how to innovate moving forward was not always received enthusiastically. It took convincing, participation in numerous

workshops, and a gradual introduction to new methodologies to get it done right.

To get there, Bayer focused on the three dimensions within the Culture Map, first created by Dave Gray and Strategyzer: outcomes, behaviours, and enablers or blockers.

Defining Outcomes that Drive Innovation

The first step was to identify ideal outcomes through the impending cultural shift. Together with a broad representation from the organization, the innovation team defined the following three outcomes:

1. Growth from new products, services, and business models.

2. Innovation that creates value for the company and the customer.

3. Contributions of all employees, from research to sales.

Changing 4 Key Behaviors

To define desired behaviors within its culture map, together with the HR team 4 key "behaviors" (all part of Bayers LIFE values) to enable that outcome were identified:

1. Customer Focus
2. Experimentation
3. Collaboration
4. Trust

These behaviors were designed to bring more flexibility into an organization that has to reliably and efficiently produce products of excellent quality. Customer Focus to make sure the outcome of the customer is on peoples mind, on top of internal process excellence. Experimentation as a way to try out new routes with small risks instead of pure execution. Collaboration and Trust are essential when working together across organizational boundaries.

Enablers and Blockers

The final step in the cultural analysis and strategy was to identify the mind-set that would block cultural shifts towards innovation. Natural blockers in large organizations such as Bayer are slow decision-making, risk avoidance, a short-term focus, a silo mentality, lack of digital and innovation skills, and a heavily regulated environment are not ground-breaking aspects for anyone looking to make the same shift, but identifying them allowed the innovation team to understand just how big the challenge would be.

Moving to an Innovation Ecosystem

All of the preceding analysis led to what Bayer now calls the innovation ecosystem. The employee is at the center, with every effort and initiative designed to help them express their ideas. Three levers can help to accomplish that:

- An internal resource and crowdsourcing platform that includes background information but also the opportunity for anyone of its 40,000 visitors to submit ideas, collaborate with colleagues across the globe, and more.

- An innovation network of more than 1,000 employees and leaders to promote the platform inside the company, provide mentorship and coaching, and support the innovation effort in every way possible.

- An entrepreneurship program with about 500 employees to apply the Lean Startup methodology to ideas relevant within the scope of Bayer.

On top, Bayer runs a multitude of programs to connect with the external innovation ecosystems, like the LEAPS by Bayer Venture Fund, the #G4Ahelath initiative for start-up engagements, Life Hubs as innovation spaces in Ecosystems like Boston and Berlin, The Grants4 Initiative to collaborate with universities and many more.

5 Key Insights from Bayer's Successes, Failures, and Learnings

What has Bayer learned, and what can be applied to other cultures who may be naturally resistant to change?

1. It is most important to focus on people, not just on strategies or initiatives.

2. It is key to Work hand in hand with HR when driving a transformation.

3. With local leaders in the driver's seat you see results across your subcultures much faster.

4. Embrace the dark side to innovation. Tolerance of failure only matters when there is an intolerance for incompetence, experiments need to be disciplined, and speaking up has to mean being honest.

5. Innovation is not a purpose in itself. Innovation is always a way to serve the business strategy and has to be an integral part of it.

Of course, innovation is unique to every organization, every culture, and every situation. And yet, these insights are globally applicable, helping to drive even the most resistant cultures towards sustainable, positive shifts.

What Co-Creation Means for IKEA and How To Leverage its Value to Kickstart a Co-Create Movement

The COVID-19 pandemic has been a challenge across industries, but large-box retailers have especially felt its impact. As Cindy Soo, leading the Innovation & Co-Creation teams remotely for 25 countries and regions globally at IKEA, explains that the solution to revenue and employee security challenges at IKEA have been straightforward: bring all employees – from retail floor to the Service and Global Head office – into the ideation and innovation process.

Cindy Soo
Global Innovation Lead / Innovation & Co-Creation Matrix Manager at IKEA

For IKEA, co-creation is a natural evolution of collaboration. It empowers the collective wisdom, insights, and aspiration of the many, especially employees who were not previously involved in the design or ideation process. Rather than looking at the end result as a success measure, the process itself, and the goal of creating more value for both the end user and those involved in that process, becomes the core focus.

IKEA saw the need for that shift as a pattern of customer behavior. While most of its stores are in the suburbs or countryside, people across the globe are moving into the cities, unwilling to travel to its stores to find their furniture and home decor items. The only way to get closer to consumers was to innovate across every level of the organization,

building a more entrepreneurial spirit in the company.

The Challenge of Creating Value for IKEA Employees

The value equation for IKEA customers is obvious. The more challenging part was in rallying employees into this new way of thinking. They are busy working diligently on day-to-day tasks and may not always see the value of thinking beyond the short-term.

So, IKEA realised that innovation required not only a new process or new tools, but a shift in mindset of both its employees and the innovators at the head of the co-creation process:

- All employees, from the retail floor to the head office, are encouraged to bring new ideas to the table, and that their ideas would be celebrated.
- Managers work towards focused goals with new success factors and KPIs to allow them and their employees to explore, test and be creative in order for the company to progress quickly.
- The co-creation team will put in place a mindset shift to an environment of humility and humanity, with a mutual degree of trust that criticism would be welcome, heard, and constructive and that "Failing Well is better than Failing Fast".

To accomplish that undoubtedly complex goal, IKEA has put in place eight key mindset shifts that move the internal culture from exclusive to inclusive. Rather than bringing finished designs or concepts to production, employees would bring insights from their experiences helping and speaking with customers every day.

A Gradual, Intuitive Mindset Shift

Making that shift, of course, is not possible overnight. Instead, IKEA is continuously rolling out activities and communication programs, nudging employees to turn a set of mindset shift tasks into behaviors, and behaviors into habits.

Just how this shift is rolled out also matters. Rather than building complex activities or using complex language based on design thinking, which employees are not familiar with, IKEA kept it simple. The goal: to understand consumer needs, pain points, and aspirations. Tools such as "Stinky Fish" and IDoARRT" allow everyone, across every level of the organization, to work together at the same level and in a safe environment.

If that feels obvious, that's exactly the point. The simple nature of the process allows everyone to come to the table, reducing artificial barriers that can so often be created through complex processes, terminology, and hierarchy.

The other tactic was just as simple: IKEA looked at teams that had performed well in identifying a problem and testing a solution, and analyzed what helped them succeed. Not surprisingly, it was a combination of Mindset, Skillset, and Toolset that was built upon a foundation of a psychologically safe working environment. Communication is key to allow employees to digest this new way of thinking over a long period of time. Culture does not change overnight. And so, a programme of communication touchpoints (videos, posters, online training, in-person workshops, etc) were identified, along with the creation of an Engagement Strategy.

Early returns have been positive. The mindset is beginning to shift, as evidenced by a number of activities to kickstart the Co-Create Movement in Italy and the UK. With the setup designed for continuous ideas and innovation, it seems like these first successes are a harbinger of things to come for IKEA. As IKEA's founder, Ingvar Kamprad once said, "Most things remain undone. [We have a] Glorious future!"

What Got Us Here, Will Not Get Us There

Who owns culture? **For Louise Kyhl Triolo, VP Global People Development, VMware the answer is not a simple one. Her lessons on culture development, especially as it relates to leadership mindset, are valuable for anyone looking to shift collective mindset, values, and beliefs at their organization.**

Louise Kyhl Triolo
Global People Development
at VMware

Lesson #1: Don't Change Culture; Change Mindsets

Organizational culture is an intangible concept, and it can be incredibly difficult to change. The lesson: changing the mindsets, behaviors, and practices of every member of the organization has to become a priority.

There are many theories on how to accomplish that feat. None is inherently better than the other. From top-down to bottom-up and even middle-out, each approach has to work in concert with the other to work.

Lesson #2: Don't Underestimate the Grassroots

Many would consider CEOs and top leaders acknowledging the need for culture change to be an ideal environment to make that shift. However, as one initiative at Airbus showed, letting the information about the state of the organization and the need to shift sit at the top is far from beneficial. Culture shift is a movement, not a mandate, with everyone needed to buy into the new culture, and the ways in which it will help the organization achieve its goals.

At Airbus, Louise took the information to the people. Strategic placements in transformation rooms led to 20,000 eyeballs on the current culture, making the need to change obvious. The resulting epiphany about the need to change, a commitment to transparency, ultimately led to an org chart-spanning passion for culture change.

Lesson #3: Leadership Still Drives Cultural Change

As much as the grassroots matter, don't underestimate the importance of top organizational leadership. Leadership can be either the biggest barrier or the biggest lever in this effort.

The barrier equation is simple: in most successful organizations, especially those with a strong tradition, the leaders at the top have been responsible for the current culture. They believe they lose by changing what made them successful, and naturally be resistant to changing the culture that got them where they are now.

Get that change in place, though, and the results can be just as significant. A comprehensive leadership mindset shift, through a mirror that creates buy-in for comprehensive change, can bring a full organizational commitment to the effort. Through efforts that align business transformation with leaders; personal transformations, helping them to understand that what got us here won't get us to tomorrow can be the catalyst for lasting, positive change.

Lesson #4: Structures Matter in Making the Shift

Even the best mindsets among leadership and the organizational grassroots won't matter if the wrong structures are in place. Take the ATM as an example; a great innovation was saved only because of a process shift that distributed money after returning the debit card, resulting in fewer customers forgetting their cards.

Put differently, cultural challenges are not always the fault of personal mindsets or attitudes. The structures and systems in which we operate can drive and motivate behaviors, and need to be a core consideration when looking to make an impact on culture change.

Lesson #5: Finding the Right Success Measures is Key

Culture shifts don't always come with an easily measurable ROI. And yet, the ability to measure whether or not it has been successful is vital. The ability for the culture to impact and influence the organization's success and, ultimately, its bottom line can help keep leadership and management engaged in continuing to embrace change.

There is magic in new beginnings. There is no template for getting it right, not tutorial or 12-step program guaranteed to work. Organizations are living organisms, and changing their culture can only work through passion, persistence, drive, and commitment from people across the organization.

Top leadership might own culture. But ultimately, it's everyone's responsibility to live that culture, driven by committed change agents that help key stakeholders make key decisions to shift for the better.

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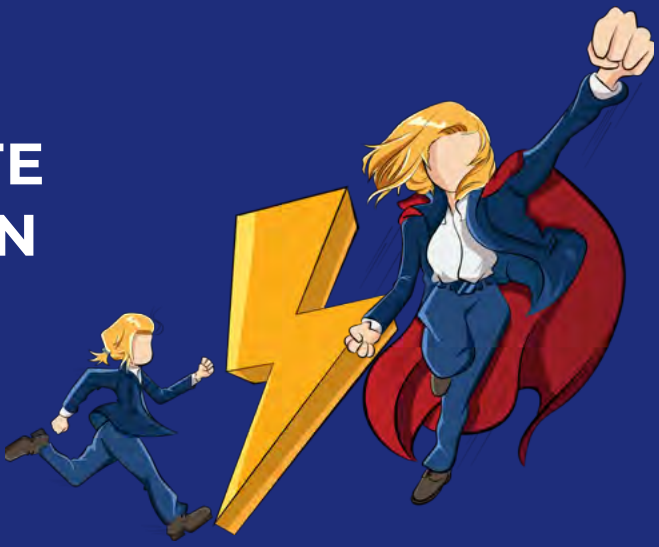

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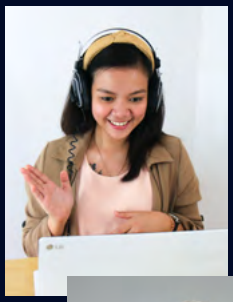

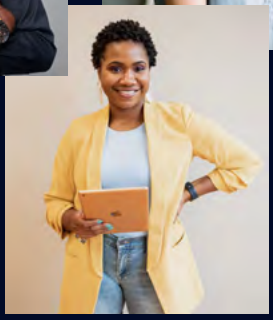

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Climate & Impact

What are the Secrets of Sustainability Front-Runners?

There isn't a day that goes by without a company announcing new climate commitments, or asset managers talking about their plans for ESG integration, or regulators putting together new proposals for new forms of disclosure. Corporate coalitions have been forming to solve sustainability challenges. Employees and consumers are calling on employers or brands to take climate and social challenges seriously.

David Young
Senior Partner and Managing Director at Boston Consulting Group

It is clear we are entering a new era for business. David Young and the Boston Consulting Group are focused on helping companies, investors, governments, and NGOs in their strategies, organization, management, and transformation for the future including sustainability agendas and embracing the changing business context to put sustainability as an advantage. Here's an outline of what sustainability front-runners are doing better.

Changing Business Context

The business context is changing, and stakeholder demands are rising, including:

- Growing demand for transparency on ESG performance
- Rising standards on social license to operate
- Escalating investor and social activism
- Expanding demand for products that do good
- Mounting urgency to address climate change
- Rising expectation for a powerful corporate purpose

The opportunity space for business as usual is shrinking, and companies and investors need to be able to transform their business models for sustainability and to make it an advantage. This requires deep innovation in strategy, business models, and ecosystems. Companies can widen the opportunity space to create value and advantage by solving environmental and societal needs. This is where innovation is integral.

Sustainability as an Opportunity

Companies are making bold commitments, but it's unclear if they will be able to deliver. BCG looked at approximately 500 sustainability initiatives and found that 80% lacked a link to business value creation and competitive advantage. It is a set of things that are lacking:

- Not focused on value for external stakeholders
- Not embedded in strategy and operations
- Not directly tied to P&L benefits
- Not led and executed by the business
- Externalities of existing business model not addressed
- Not funded by the business

Sustainability requires sustained profitability for a corporation. You cannot scale the ability of the company to be a positive force for sustainability unless there is a return on those efforts. It can't be on the side.

Sustainability Scarcities

Sustainability scarcities are things that are going to emerge that will further limit companies' ability to deliver and include:

- Scarce Factor Inputs: For example, only 1/3 of necessary inputs available to meet 2030 demands for batteries
- Race to Secure Offsets: Net supply of carbon credits in 2030 as demand outstrips supply, with 60 MtCO2e gap by 2025
- Significant Gaps Between End-of-Life Capacity and Targets: Estimated share of demand for rPET that will be unmet due to shortage of recycled plastic supply in 2025

Each of these is a chance for innovation to bring two worlds together – the world of what creates value and the notion of environmental and social responsibility. This requires companies to identify the overlap in these two models:

- Business Outcomes: Create business value for shareholders through competitive advantage, increased shareholder value, to create business resilience
- Environmental and Societal Outcomes: Create environmental and societal benefits for stakeholders through economic vitality, environmental sustainability, lifetime well-being, ethical capacity, societal enablement, and access and inclusion.

These two engines can and should overlap to drive innovation that matters.

Sustainable Business Model Innovation

SBM-I is BCG's structured and four-step approach to unlock and maximize sustainability advantage. It requires companies to:

- Expand the business canvas
- Innovate
- Link to drivers of value and advantage
- Scale

To expand the business canvas, the company must work from the system in by asking questions like "what are the ecosystems my business is a part of?" and "how will they be impacted by the societal and environmental trends?" and "where does my business model fail in the world?" Having the insight of those potential break points and shortcomings of the business model will allow the corporation to think about where and how to innovate. Innovating with the model seeks to expand both the basis of business resilience and advantage while creating environmental and societal benefits.

The model strives to create environmental and societal benefits along six dimensions – for both internal and external stakeholders:

- **Economic vitality:** Create livelihoods and economic benefits for employees and workers in the supply chain and create economic value for communities and society.

- **Environmental sustainability:** Improve environmental footprint of company's operations and improve environmental footprint of company's products and services in their use and disposal phases.

- **Lifetime well-being:** Generate well-being for employees and workers and general well-being via company's products and services for consumers and society.

- **Ethical capacity:** Strengthen and enforce ethical practices in operations and promote ethical practices in communities and society.

- **Societal enablement:** Ensure well-functioning governance and management and promote a well-functioning society through a company's activities, products, and services.
- **Access and inclusion:** Ensure inclusive and equal access for employees and workers to opportunities in careers, development, and advancement and promote access and inclusion of consumers via products and services.

A Decade of Transformation: How the Climate Crisis Redefines Sustainability in Business

Sustainability has been a core, and very public, priority for countless businesses in every industry. But has that priority actually made an impact? Raz Godelnik, Assistant Professor of Strategic Design and Management at Parsons School of Design, examines the current state of affairs and what corporations in any industry can do to shift their mindset.

Raz Godelnik
Assistant Professor of Strategic Design and Management at Parsons School of Design – The New School in New York

A Bleak State of Affairs

Publicly stated priorities don't always matter much. Every year, we pump more CO2 into the earth's atmosphere, accelerating climate change. In the process, half of the carbon expelled into the atmosphere through fossil fuels has come in the past 30 years. Despite enough organizations pushing sustainability stories that Bloomberg Business News now has a Bloomberg Green section, that trend hasn't changed or even begun to slow down. Everything has changed, and yet nothing has changed.

The reason: we haven't actually transformed core business models. Business-as-usual has merely become sustainability-as-usual, still subject to shareholder capitalism as its core underlying mental model. Sustainability is all well and good, as long as it's aligned with the core goal of driving profits. Sustainability efforts are real, but as long as they don't lead to fundamental shifts in that mental model, they will not be enough.

5 Categories of Sustainability-As-Usual

We see this pattern everywhere in modern business, to the point where according to global polling and research, five distinct categories of well-meaning but not sufficient sustainability efforts have emerged:

More Good, But Not Less Bad. How much do sustainability initiatives matter if they don't remove the bad existing patterns within a company? Think JPMorgan Chase, which is funding new "green economy" initiatives but still remains the biggest funder of fossil fuel projects over the last five years, or companies who embrace climate policies while financially supporting politicians trying to obstruct the same policies.

Vagueness or Greenwashing. We know that customers increasingly want more corporate responsibility from the brands they support. But at the same time, a company promoting the fact that it's purpose-led without defining what that means, or touting its carbon-neutral burgers even though the production still produces carbon and the brand merely participates in offsetting, is not actually making an impact.

Incrementalism. Yes, making the packaging of a given product more sustainable is a great step. But does that truly matter if the product for which the packaging is built is a one-time use, disposable razor? Sustainable innovation should be about changing the value proposition more fundamentally.

Not Paying Attention to Critical Material Issues. This involves not truly analyzing where a company can make the biggest impact against climate change. Despite its well-publicized sustainability efforts, Netflix is not using its huge reach to urgently educate its audience, nor is Amazon taking steps against the consumer culture that it has helped to introduce.

Social Justice. Simply put, companies who think about climate plans without thinking about social justice are not taking it seriously enough. Both concepts are indisputably related, and need to be addressed in an integrated way.

How to Change Fundamental Systems and Mindsets to Encourage Sustainability

All of that leads to a central question: what can companies actually do to change things from a more systemic perspective? It's absolutely vital to look at the underlying structures and mindset, considering not just the tip of the iceberg but the whole massive structure.

Here, mental models can become a hugely beneficial process to embrace. Understanding how we understand reality and how the world works shapes not just how we think, but who we are and what we do.

To truly make a difference, shareholder capitalism cannot be the mental model underlying sustainability efforts any longer. Maximizing value and profits for shareholders will still lead to the fallacies outlined above.

Instead, a new mental model that puts sustainability at the foundation of any decision-making process could and should arise: Awakened Sustainability. Here, the question is not what the business case for sustainability could be, but what the sustainable case for business should be. The pursuit of profit comes only after sustainability optimization has been achieved.

In that process, a framework from Lawrence Lessig at the University of Chicago comes in handy. Moving away from sustainability-as-usual has to include an emphasis on social norms, regulations, markets, and organizational culture. The good news: the early signs are already there, as social norms develop towards less tolerance for politicians who oppose climate change, insurance companies are moving away from insuring fossil fuel projects, and young employees demand the prioritization of DEI.

We can do more. Through the power of narratives, we can inspire collective action to finally move to a mental model that sufficiently addresses the urgency of sustainability.

Ask yourself: are you still operating in the sustainability-as-usual space? What are your guiding principles, and are you leading from the future? Are you looking deep enough at the fundamental aspects of change, and what is your theory of change?

The right answers to those questions can go a long way towards sustainable, fundamental change.

Delivering True Sustainable Growth – Why Eliminating Silos Across Strategy, Sustainability & Innovation Functions Is Key

Investing in sustainability is no longer a tax on performance for companies, nor is it optional. It has become imperative, and in fact investing in sustainable growth is now a key way to unlock entrepreneurial forms of growth, retain customers and drive long-term market outperformance.

Sandra Steving
Partner at
Founders Intelligence

Nearly two-thirds of people worldwide want CEOs to lead on change rather than to wait for government or policy. There is not just permission, but explicit expectation to act, and that means the case for sustainability is clear, says Sandra Steving, Partner at Founders Intelligence. But what kind of operational blueprint is needed for companies to actually deliver against their sustainable growth agenda?

We're seeing enormous momentum in terms of companies setting ambitious carbon targets and sustainability goals. But the challenge lies in the fact that many companies are making commitments that they don't have the mechanisms for how to deliver. Less than 2% of companies achieve their sustainability targets. We can no longer afford such a low success rate. Shifting this is not about a pipeline of ideas, it's about the operating model required to deliver on sustainable innovation at scale.

Together, strategy, sustainability, and innovation are the building blocks for sustainable growth. These functions are present in most companies, but historically, they have operated with different leaders with different reporting lines on different agendas. We need to go back to first principles and challenge these entrenched silos and power dynamics, because while these models worked to deliver business as usual, they are no longer fit for purpose when it comes to delivering the next generation of growth.

If companies are serious about competing in a world where sustainable growth will become the key metric for corporate success, they have to align their ambition with their capability to deliver against it. And this means breaking down the silos, rivalries, misaligned incentives and lack of cooperation across Strategy, Innovation and Sustainability functions.

A new blueprint is one where these three functions break free of conventional silos and align both their mandates and their capabilities to bring together their respective expertise, tools, resources and talent pool towards a common purpose.

While no one is doing this perfectly, there are consistent principles in the businesses that are doing it well. In those companies:

1. They make sustainable growth mission-critical to the CEO's legacy. They set out a clear sustainable growth agenda, aligning their purpose and their profit, which is integral to the CEO's vision and legacy.

2. They claim a seat at the corporate strategy table for sustainable growth, understanding that corporate strategy sets the agenda for what gets done in a business. They demand deep alignment between sustainable growth targets and the strategic objectives of the core business.

3. They operate with a truly open ecosystem mindset. The challenges are too large for a single organization to crack. When it comes to sustainability, collaboration is the new competitive advantage – laterally across industries, and vertically, down value chains.

4. They deploy a broad toolkit of build, partner, and invest activities. They recognize that solutions will come from multiple sources and different tactics will be needed to deliver each of them at scale.

5. They act entrepreneurially and collaborate to sweep aside silos. They break down traditional organizational infrastructure to create transversal initiatives that connect the company in new ways and create new forms of commercial value

6. They establish clear metrics and standards for accountability both internally and externally. Transparency and accountability to sustainability targets needs to be taken as seriously as quarterly financial reporting has been in the pastThe company sets metrics and benchmarks to track performance in terms of impact.

Some of the companies doing a good job with sustainable growth in their sectors are Enel, Unilever, Adidas, and Kering. These companies are currently demonstrating the six principles and making commitments that align with their capabilities. They can provide how-to examples to other companies looking to invest in sustainable growth and begin to create change at scale that is fully embedded with the wider corporate agenda.

Like sustainability, digitization started off as a fringe agenda item. Then it gained urgency until it was a burning platform and eventually became core to the function of the business. Sandra predicts that sustainability will have a similar trajectory. It was once a fringe agenda item that is now gaining urgency, too, so how long before it becomes a core platform for business?

To embrace sustainable growth, start breaking silos and rethinking the fundamentals of business.

Business Models That Work in the Circular Economy

The circular economy has moved far beyond a buzzword. But how can businesses actually make it work? How can large, multinational organizations turn to meaningful innovation through business models designed to move away from more traditional linear models?

Kevin Shahbazi
Circular Economy Innovation Lead at Board of Innovation

Circular business models and value chains have certainly increased in popularity. Compared to linear business models, they can save costs, access new markets, and increase resilience to shocks. Board of Innovation's Circular Economy Innovation Lead Kevin Shahbazi explains how organizations have been able to come closer and closer to meeting the Sustainable Development Goals 12 and 13 set forth by the U.N., even outperforming less sustainable and more linear competitive businesses on a profit level.

The Three Basic Players of the Circular Economy

Compared to the linear economy, circular value chains create loops. They naturally limit the resources needed to produce and distribute products, while also limiting waste by creating additional value through processes like repair, reuse, return, and recycling. That can happen downstream or upstream from the business, with three basic players making up many circular value chains.

1. **The product businesses** deliver actual physical products that evolve from a linear model to more circular alternatives, like Adidas, Philips, Volvo, and others. They are responsible for 80% of the circular impact, with product design driving much of what can be recycled or how waste can be minimized.

2. **The solution providers** focus specifically on a single stage of the circular economy to help product businesses transition to the circular economy. They're refurbishes, recyclers, or other organizations along those lines.

3. **The facilitators** provide services to support the whole ecosystem or a significant part of a value chain, typically through connecting other companies with each other. These are data brokers, government platforms, and similar services.

Evaluating Business Opportunities Within Your Competitive Environment

Within that ecosystem, where does your organization fit in? The easiest way to answer that is to evaluate the environment both competitively and across the value chain.

It starts with defining the five different stages of a typical value chain: Take and Make, Return and Recycle, Use, Reuse and Repair, and Waste and Disposal. The key is starting with the Use stage at the center, and build outwards. Two arrows point upstream, with the ability to have a positive, neutral, or negative impact. Two point downstream, with the same impact possibilities.

At each stage, you can define specific KPIs that allow you to evaluate where on the impact scale your organization lays compared to its environment. For example, you can evaluate the Return and Recycle impact based on how many of your own product you get back, and can recycle back into the market. Benchmarking yourself against other players in your industry on the same KPIs, and across the same stages, allows you to find strengths and weaknesses for each player, allowing you to spot gaps and potential opportunities.

This process is evident in an example in the fashion industry. MUD Jeans is a brand that has embraced the circular economy, with specific strengths in the Return and Recycle as well as the Reuse and Repair stages. That allows it to stand apart from fast fashion brands, who through low customer relations limit their return opportunities and through their low cost limit recycling potential. The result is significantly more waste, even for a brand claiming to source products sustainably.

The fashion industry is beginning to recognize these gaps. In addition to upstart brands like MUD Jeans, established brands like H&M are making changes. H&M now partners with a brand called I:CO, allowing it to offer return and recycling opportunities not typically available in fast fashion. Weaknesses in the downstream value chain still exists, but the brand is beginning to close some circular gaps.

The Principles, Ingredients, and Pitfalls to Avoid When Building Circular Business Models

Based on these types of analysis and benchmarking, these 3 principles can help to build a business model designed for the present and future of the circular economy:

1. Source from the economy, not ecological reserves.
2. Add value to existing products and materials.
3. Create valuable inputs for businesses beyond your customer.

Based on these principles, organizations can take two very different angles to innovate their ecosystems: follow a product-based value chain, or mix the value chains of different products. To design the actual business model, then, three ingredients are absolutely crucial:

1. Identify the players and stakeholders in your industry, including customers, suppliers, and others.
2. Take a look at the incentives and value transactions, especially on materials but also within money flows.
3. Based on the first two ingredients, brainstorm alternative business models including revenue models that maximize success.

That may mean going the process alone, or partnering with others in the value chain. It absolutely has to avoid a few all-too-common pitfalls, though:

- If your circular economy strategy isn't your business strategy, you'll innovate in circles. It cannot be driven by a small and separate team, but has to be a core part of how your business operates.

- Avoid any vagueness in your innovation focus. Instead, get specific to give your teams proper guidance. That could be launching a new business, switching your business model, redesigning your product, setting up a partnership, or trying to monetize energy side-streams.

- A bold, lofty long-term vision statement is not enough to lead to tangible change. Instead, set a specific time horizon and scope, and chop up your circular economy strategy into smaller chunks to make them more tangible and attainable.

- Never go into a project without KPIs. They should be specific to your situation, but have to connect directly back to your business and circular economy goals. It could be the purity of products and materials, amount of products recycled, or anything else connecting directly with your innovation focus.

- Don't bother to innovate if you're not aiming for a 30% leap forward. Too often, the change sought is incremental and doesn't actually make a tangible difference. Aim for 30% to incentivize teams, realize untapped opportunities, and challenge your entire organization to make the leap.

Finding the right business model is not easy. But the potential benefits of the circular economy are significant enough that it's worth going through the process.

Impact-Driven Design: Expanding the Design Toolbox to Address Tomorrow's Challenges

User experience (UX) is at the heart of successful innovation, as in its simplest terms, is the way people interact with systems, products, services, and related touchpoints. The UX design toolbox is an essential part of the current process. However, expanding it is necessary to fully address tomorrow's challenges.

Nina Valkanova
UX Director at MING Labs

Nina Valkanova, the global lead for UX design and strategy with MING Labs, offered some insight into expanding the design toolbox for impact-driven results.

How to Expand the UX Design Toolbox for the Future

Expanding the UX design toolbox addresses future challenges because it creates products or services built to handle the most unlikely scenarios.

1. Find the Innovation Sweet Spot

Three key pillars make up the innovation sweet spot and lay the foundation of products and services for the future.

- **Desirability:** The central focus is desirability. If there is no desire for your idea for a product or service, it is not an efficient use of time and resources to create it.

- **Feasibility:** Establishing a concept to address consumers' desires is the first step to successful innovation. However, then you must ask if you can actually build it. If it is not within your capabilities and talent, moving forward with the idea is setting it up for failure because you cannot effectively execute it.

- **Commercial Viability:** If there is a desire and one can effectively build the idea, you must ask how sellable it is. Ask yourself if you can create a business out of it.

2. Consider All Negative Impacts

While expanding technologies and technological innovation should share desirability, seamless usefulness, and be commercially viable, one must consider all overall impacts. The positive impacts inspire innovation, but the negative impacts are what determine the success of technological advances.

3. Using Futures Thinking in the Design Ideation Process

The premise of foresight and future thinking is that while there is a list of probable things that will happen in the future, there are also a lot of different possibilities. Environmental, ethical, social, and political considerations play into those possibilities and also affect the final design decision. Applying futures thinking to the design ideation process will create a viable and longer-lasting product.

Ask what-if questions

Kick off the future thought process by asking questions about all possible scenarios.

Regardless of the likelihood of something happening, you should ask what if it did happen and address how your product or service would overcome it. Start with the immediate future. Then, move on to what-if questions about situations and impacts faced years from now.

Find the Preferable Scenarios
As you go further into the future, you find more possibilities for each scenario. There will be a lot of probable and plausible possibilities, but remember that everything is possible. Therefore, the end goal is to think of the different scenarios and identify the most preferred ones for your company. Including foresight thinking with all possibilities will result in more sound innovative designs.

Expand on the Current Digital Product Development
Dig deeper than identifying a problem before building a solution. After determining the problem, you must create a holistic understanding of the context and applications by looking systemically at current events in the world. Gaining a greater understanding of why there is a problem will allow you to build viable products with maximized suitability. Your goal should be to focus on product-planet fit instead of just product-market fit.

Conduct a Future Ethics Assessment

The three-step process assesses the ethical and future ethical implications of digital products.

1. **Identify** the research and trends around relevant technologies. During this step, analyze these relevant trends and factors. Put on an ethical lens and focus on your company's core values to determine if the idea is a fit now and in the future.

2. **Conduct scenario building,** which is the core of the foresight and futures thinking methods. In this step, anticipate what could happen and work on destabilizing your product. Then during design ideation, choose the preferable future by creating prototypes that align with these ideal scenarios.

3. **Backcast** to build strategies that will connect the desired future to the present. Roadmap your long-term goals and changes or what must happen to ensure you reach your preferable futures.

Expanding the design toolbox helps fuel a digital transformation to create a future where people, planet, and business are in harmony.

Making the Sustainability Shift at Sandvik: 100,000 Ideas or Innovations by 2030

Sustainability presents a huge opportunity for innovation, but it requires individuals and companies to take a problem-centered mindset. Rather than tackling huge challenges,

Simon Hill &
Mats Lundberg
CEO & Founder at Wazoku / Head of Sustainability at Sandvik Group

problems must be broken down into bite sized chunks of work to ensure innovators are able to effectively connect with relevant stakeholders and across broad ecosystems.

The motivating force for innovation in sustainability must be driving from the C-level or even the Board-level. If leadership isn't directly behind the work, the sustainability message will not be as prominent as needed to achieve ambitious goals.

Mats W. Lundberg, Head of Sustainability at Sandvik, an engineering group in mining and rock excavation, metal-cutting and materials technology, and Simon Hill, CEO at Wazoku, break down how Sandvik is tackling big sustainability goals across the company.

Focus on Sustainability

Sandvik is a global company with sales in over 160 countries, with 40,000 employees, and running 55 R&D centers globally. They have identified sustainability as one of the six strategic focus areas going forward. The company has long-term 2030 sustainability goals related to the areas of climate, circularity, people, and fair play and is committed to using engineering and innovation to make the shift.

Sandvik understands that sustainability isn't just a metric to be reported on but, when done right, it gives the company a business advantage by allowing stakeholders to become both more sustainable and more profitable, making Sandvik the first choice for customers, and improving talent retention.

Sandvik has set bold, transparent sustainability goals, including:

- Be more than 90% circular — products, including packaging material, to have at least 90% material circularity and to require the same of key suppliers. The current state of circularity is above 80% on average for our steel production

- Halve the CO2 impact from company production, for transportation, and from key suppliers

To meet these goals, sustainability is integrated within performance management and governed internally as well as for partners and suppliers. They also launched an idea hub to crowdsource sustainability ideas or innovations by 2030.

Sustainability Ideas Hub

The Sustainability Idea Hub is an idea generation space that works in all 160 countries, meant to engage everyone at the company, not just engineers. It was developed with Wazoku to be simple but flexible and to promote the following guiding purposes:

- Sustainability is everyone's responsibility
- Democratize the process
- Open up the silos
- Build engagement
- Inclusion
- Enabling big and small ideas
- Insights
- Goals with teeth

One of the key principles is that all ideas are good ideas, and there should be a mix of big and small ideas. As the hub gathers traction, it should create a chain reaction that allows employees to feed off each other's ideas. Making the ideas visible to the entire company ensures that there is full visibility across divisions and functions – better enabling collaboration.

The ultimate goal of the hub and all of Sandvik's efforts is to move towards more sustainable products and practices but ultimately to benefit the customer. Innovating on sustainability will also drive the creation of products that customers want and need. It is key to integrate the ultimate business benefit into the company's ways of thinking about sustainability. The only thing that can beat a great product with great properties is a great sustainable product with great properties.

Sustainovation – Insights from Sensing, Seizing and Transforming Opportunities

The travel industry is at a breakneck pace of innovation, particularly in light of climate change and COVID-19 coming together to create unique and comprehensive challenges. Tino Klaehne, Head of Strategic Design at the Lufthansa Innovation Hub, describes how one of the largest airline groups in the world has endeavored to tackle the problem.

Tino Klaehne
Head of Strategic Design at Lufthansa Innovation Hub

The Lufthansa Innovation Hub is Lufthansa Group's primary unit for the development of new business in the digital context. Its efforts focus on what the group calls "Travel and Mobility Tech", defined tightly in scope but reaching beyond the core business strategy of the airline giant. The mission: create and capture value beyond flying.

As such, the Innovation Hub walks between two worlds. The Lufthansa Group's primary purpose matters, but so does the larger travel mobility tech ecosystem. Positioned between the two, the Innovation Hub looks towards the long-term future on the third innovation horizon. It was created with a vision to own a share in every trip, regardless of whether that includes flying or any other mode of travel.

The Three Innovation Muscles Within the Dynamic Capability Framework

Under that vision, the Innovation Hub is structured within the Dynamic Capability Framework. Three core capabilities, or innovation muscles, drive the process and structure: sense, seize, and transform.

Sense

The **sense** capability describes being able to spot opportunities or threats in the business environment early, continuously, and in a systematic fashion. For Lufthansa, that meant making sense of the larger system of sustainability, and understanding the players and category as a whole, before really digging into the opportunities presented within.

Within this muscle, the Lufthansa Innovation Hub developed a few core activities:

- An innovation hypothesis that described exactly how Lufthansa should contribute to sustainability.
- A systematized approach to research and signal scanning, using tools like aggregation tools like Feedly, venture capital partnerships, Google search trend analysis, media sentiment analysis, and more.
- A knowledge-sharing system, using the public tnmt.com website, to drive not just Lufthansa but the entire industry forward on the topic of innovation.

Seize

The second capability, **seize**, frames Lufthansa's capability to turn opportunities sensed into actual benefits. For Lufthansa, this means building ventures, taking ideas to execution, and partnering with existing solutions to take them further.

For example, Lufthansa built Compensaid, a flight offsetting platform that allowed customers to offset their carbon impact of flying through CO2-neutral aviation fuels. A 130,000€ investment resulting in 23 million Euro in media value equivalency through news coverage and industry awareness. Other projects, like an offset API designed to help travel platforms like Booking.com offer their own offsetting models, is following the same success path.

Seizing can also include external partnerships. For example, the 2019 Open innovation Challenge for startups, in partnerships with companies like Google, Uber, and Expedia, resulted in more than 150 applications from 41 countries, with five finalists invited to pitch their startups to the partners, jury, and senior management.

Transform

Finally, sensing and seizing only work with the third capability of transformation, describing the organization's ability to change and rearrange the resources to support sustainable innovation. No matter how great the opportunity and venture model to seize it, corporate has to be on board to bring it through to conclusion.

Lufthansa's Innovation Hub has plenty of activities built-in to support this innovation muscle. A dedicated team focuses on promoting and embedding both innovation and sustainability across all levels of the global corporation. Activities include:

- A custom tool kit, including anything from a business model canvas to a custom card game, freely available for anyone participating in events and workshops.
- Workshops for Lufthansa Group management trainees, embedding the concept early in the training stages.
- Virtual events for all levels of the organization.
- A corporate-wide innovation forum with 600 attendees listening to keynotes, attending workshops, viewing exhibits of existing innovation work, and more.

The 9 Factors of Success at Lufthansa's Innovation Hub

Lufthansa's Innovation Hub has been successful due to nine factors, derived from learnings and lessons over its course of existence:

1. A holistic setup with a full stack of innovation capabilities.
2. Fast timing that ranges from finding ideas to start and iterate quickly.

3. The right toolset, skillet, and mindset.
4. Formats and channels that scale easily, with a mix of broadcasting and 1:1 penetration.
5. Over-communication to demystify innovation, educate, and inspire.
6. An entrepreneurial spirit designed to place bets that win big.
7. Grit and persistence to turn innovation from a one-time gig into continuous success.
8. Connections across and outside of the organization to identify and acquire early adopters.
9. Humility and an enablement spirit that follows the golden rule.

With these factors, the whole becomes bigger than the sum of its parts. It's how Lufthansa has been able to drive innovations in sustainability that have the potential to shape the travel industry for decades to come.

The Business Case for Purpose

The next revolution in business will be purpose-driven, says Daniel Nowack, Managing Director & COO of Yunus Social Business (YSB). This purpose-driven revolution will be a disruption that will render companies irrelevant if they don't put purpose at the heart of their work and embrace social innovation.

Daniel Nowack
Managing Director at
Yunus Social Business

Purpose-driven companies currently outperform the market by 42%. But many companies are already struggling to meet the purpose-driven commitments they made in corporate pledges in 2020. They simply don't have the background to follow through, so even if they want to make a change, they don't know how to do it. They need concrete examples of change from other corporations that have succeeded with social innovation initiatives. These examples can show other corporations what social innovation looks like in the context of daily business. That drives change in the organization and ultimately leads to a cultural and mindset shift.

Within every organization, though, there are people at different stages within this cultural shift. How do you bridge the gap between those who have embraced it and those who aren't sure it's good for business? This is where the language of ROI can help.

In 2019, YSB started conducting research with more than 50 social intrapreneurs who implemented social innovation initiatives within corporations around the world. When it came to impact, YSB found:

- 77% reported a significant improvement in engagement and talent acquisition
- 61% observed a change in mindsets and corporate culture
- 50% realized an impulse for corporate innovation
- 39% were able to reach new markets for future growth
- 32% reported a measurable increase in brand equity

Most intrapreneurs made a "hybrid case" of financial and non-financial values when lobbying for social innovation. Typically, the financial return of the initiative falls short of expectations. To make up for the shortfall, social innovators make the case that things like employee engagement and new market access come as a result of the social innovation initiatives. The challenge is that most of the arguments for non-financial values are based on anecdotal evidence. Executive leadership is looking for hard facts and hard numbers.

So how do you provide hard evidence for non-financial value creation? By designing the right experiments.

YSB designed a series of experiments to show a correlation between social innovation and key business metrics. This toolkit of experiments moves social innovation from a moral argument to a business argument. They measure the impact of social innovation on human resources, marketing, finance, and business development.

For example, YSB took the hypothesis that inspiration from social innovation leads to a company being able to hire better talent. They created A/B testing with two almost identical job descriptions, with one referencing the social innovation initiative. This testing allows companies to correlate the social initiative with its impact on the quality and quantity of the applicants. It also demonstrates if social innovation can help lower the cost of talent acquisition.

From experiments conducted so far, YSB found that:

- Employees are 34% more likely to be highly engaged when they are aware of Covestro's Inclusive Business social innovation initiatives.
- Customers that read about Essilor's Eye Mitra Initiative were 10 times more likely to buy a product from them.
- 82% of customers were willing to pay more for a sustainable product from a global retailer.

That's significant commercial and financial value that comes as a result of social innovation. These experiments create hard data to argue for social innovation within a company so that it's no longer anecdotal. That can help erase doubt for stakeholders within the organization and encourage them to embrace social innovation and become a purpose-driven business.

Using Social Innovation to Drive Diversity, Equity, and Inclusion

Companies can use social innovation to improve products and services while also driving diversity, equity, and inclusion. Joan Bohan experienced this when she launched a social innovation project at Disney focused on dyslexia.

Joan Bohan
Social Intrapreneur &
Innovator, Dyslexia Advocate

How it Started

There are many extraordinary people who were successful not despite their dyslexia but because of it, including Joan's son. When Disney put out a call for projects that drove social impact and also business upside, Joan proposed a project focused on creating dyslexia friendly products, inspiring content and engagement with the dyslexic community.

Dyslexia is an invisible disability that causes difficulty for individuals in reading, spelling, and writing. Dyslexics also, however, have the ability to see things others don't because their brains are literally wired differently.

Research has shown that the same forces that create struggles with reading and spelling for dyslexic individuals are also behind an abundance of strengths including creativity, out of the box thinking, and problem-solving. Many of these strengths and skills are the ones being sought out in the 21st century.

While dyslexia can create entrepreneurs and visionaries, the approximately 10% of individuals with dyslexia still struggle while growing up. School is a challenge for Dyslexics and their entourage is often ill informed and they tend to have low self-esteem and are more likely to drop out of school. Products and services geared at assisting and raising awareness for dyslexic individuals could have a profound impact on this large population of learners.

What Happened

When Disney put out the call for social impact projects, Bohan put together a blueprint for Project Dysnie meant to help dyslexic children stay on track and unlock their potential. Key components of the blueprint included:

- Accessible products
- Content that brings dyslexia into the mainstream
- Increased awareness around dyslexia
- Bringing the community of dyslexics together at Disney
- Having dyslexic Disney employees serve as mentors to show dyslexic children the light at the end of the tunnel
- Partnering with experts in the dyslexia to ensure informed decisions

After Joan's pilot received approval for certain regions, it began to make an immediate impact. Some results of the project included:

- Creation of accessible and innovative reading products, including books, audiobooks, and enriched eBooks
- Including examples of dyslexic individuals in content, including a spotlight of an accomplished dyslexic individual in a Disney magazine and a TV series with a dyslexic character.

Outcomes and Insights

First, the call to solve societal challenges with business benefits led to a diverse draw of participants and an inclusive approach to collaboration. The project cohorts had great representation in gender, culture, and seniority. Participants brought unique experiences, ideas, and were able to point out blind spots in each other's projects. They also had the business knowledge to make the social issues relevant to the business. Designing products with the underserved in mind strengthens the community within the company while also benefiting the consumer.

The initiative itself was also positive internally at Disney. The project itself raised awareness of dyslexia. This knowledge enabled employees without a connection to dyslexia to view products and content with a more inclusive eye. It helped individuals learn to look at disabilities through a business lens. These types of projects serve as an opportunity to engage talent and develop future leaders.

Ultimately Project Dysnie drove strong business outcomes for Disney. The company found that creating inclusive and accessible products brought positive business results. The innovative reading products didn't just resonate with dyslexic children but also children with other learning disabilities, non native speakers and reluctant readers.

Joan's experience shows that when a company prioritizes social impact while requiring business benefit, it can benefit employees, the company, and consumers.

Product Management for Social Impact 101 – Lessons from Disrupting Hunger

Innovation is required to reverse recent hunger trends. Currently, there are 811 million hungry people globally, but without significant change in the way we do things, we are projected to bring down the number of hungry people only to 660 million by 2030, missing our goal of Zero Hunger.

Bernhard Kowatsch
Head at UN World Food Programme Innovation Accelerator

The challenges of COVID-19 make innovation even more important. It is important to remember that these efforts are happening in developing countries with complicated circumstances like war zones or natural disasters.

Bernhard Kowatsch, the head of the United Nations World Food Program Innovation Accelerator, discusses six tips for social impact innovation.

#1 Aim At Social Impact From Day One And Use Human-Centred Design Thinking

Building inclusive solutions starts at the design stage and should not be an afterthought. In the design stage, the team needs to consider the realities of the countries where the solution will operate. When a team applies techniques like human-centred design, the end solutions can be built to support the real community needs.

Example: EMPACT is an online training program for vulnerable people. It connects refugees, displaced people, and people in vulnerable host communities to the future of work through short and focused digital skills training. The design team made an early decision to focus their efforts on the most vulnerable populations, not those who already have some level of education.

#2 Build A Strong And Cohesive Core Team

A founding team is the backbone of any emerging startup. Everybody must clearly understand the project goals and their

roles to work effectively. This is particularly important when teams are remote. Startup founders too often think that the idea or pitch deck is the most critical component to their effort when in reality it is the core team.

Example: The start-up Sanku provides micro-fortifying devices for foods in Tanzania. Because of COVID-19, the founder was not in the country and had to rely on the team for implementation.

#3 Solicit Honest Feedback Early On

Early feedback is critical to determine the effectiveness of the design. Reach out to experienced mentors who will not hesitate to provide direct feedback to social impact ventures; feedback can be crucial to a project's success.

Example: Share the Meal is an app that allows mobile phone users to donate to feed children with the touch of a button. The team asked focus groups if they would take the action of donating, and the team realized they weren't getting realistic feedback when no one said "no." You need to signal that you are open and are asking for ideas to secure honest feedback.

#4 Build An Mvp++ That Considers The Most Vulnerable

The humanitarian principle of "do no harm" is a cornerstone of social impact innovation. Innovators must find safe ways to test a minimum viable product (MVP) and have back-up plans in place to support the community if the MVP fails.

Example: Building Blocks is a blockchain-based cash distribution system, and the development team made sure that when testing the MVP, there was a back-up plan with another version that would work. It is inherently challenging when your target audience is vulnerable because you can't think of the product as simply a great learning if it fails. Failing fast is only good if people aren't put at harm.

#5 Don't Forget To Create A Path To Sustainable Funding

Financial sustainability is a prerequisite for continued social impact. Make sure your plan includes a path to sustainable funding.

Example: The Farm to Market Alliance is a group of public and private institutions that aims to reduce hunger and poverty by providing smallholder farmers an opportunity to engage in structured, gainful and self-sustaining food systems. It can be hard to determine the sustainable funding for these types of programs. You might need to sell seeds for profit while you provide advice for free.

#6 Integrate A Pathway To Scale

Scaling up solutions to tackle real world problems is often the difference between a good idea and a game changing one. For global impact, a project needs to reach scale.

Example: H2Grow is a hydroponics innovation that trains smallholder farmers to grow vegetables or animal feed using simple hydroponic systems. The scaling pathway was to train people more efficiently on using these simple systems through a digital learning platform.

Saving the planet — one website at a time

Did you know many websites today use unnecessarily large amounts of power and contribute significantly to global warming? If the internet was a country, it would be the 7th largest polluter. But here is the good news: Companies are adopting a more sustainable approach to IT. Because saving energy is good for the planet – and for business too.

We at MING Labs believe that the internet is far more beautiful when it is green. And we have made it our mission to change this.

We help organizations build and maintain websites that save resources and money at the same time.

Let's work together to make a positive impact on the environment. Your website can be part of it. #GreenUX

Careers & Personal Development

Overcoming Obstructionists: The 5 Laws Of Intrapreneur Empowerment

Innovation, as it is currently practiced, is why it isn't working. There is a pandemic of executive cognitive dissonance around innovation, as Greg Larkin and Stephanie Trunzo observe, and this is what's causing the entrepreneur's exodus. There has been a huge increase in the number of Fortune 100 executives who have left companies to launch their own startups. There will be more post-pandemic, as hiring is picking up and companies are trying to mandate people back into their cubicles. The resulting startups will end up disrupting the industries that these executives left behind.

Greg Larkin & Stephanie Trunzo
Transformation Advisor and Author at Punks & Pinstripes | GVP of Transformation and Offerings at Oracle

In light of this exodus, every company should be innovating with urgency. Is it possible to change the way corporations innovate, though? Yes, but it requires a shift in the power structure.

Power Transition Theory

Power transition theory is a theory about diplomacy created in 1959 by A.F.K. Organski, political scientist from the University of Michigan. The theory says that the source of conflict is a disruption in the hierarchical structure of nations. The root cause of war is when a weaker power believes it has the strength to challenge the supremacy of another. This theory can also explain how innovation works inside an organization.

When an intrapreneur launches a new venture or transforms an old venture, leadership within the organization is going to see the intrapreneur as someone who wants to dismantle the empire, even if their intentions are pure. Some organizations handle this better than others, but typically, the more mature an organization or company is, the more likely it is that they'll see intrapreneurs as a threat. The alliances an intrapreneur makes and how they protect themselves is what differentiates a successful intrapreneur from a good entrepreneur.

Companies operating under this model are seeking to build an empire. They aren't working to solve a problem.

New Power Grid

There are two systems of power competing in the business world. The traditional power source is hierarchical, works on a closed system, and has a scarcity mentality. Everything is internally focused, including the measurement of performance.

In the new power grid, the focus is on the world, not the company. It is merit and values-based, operating on an open system with an infinite growth mindset. Instead of competing internally, the company competes with the market and teams work towards a common goal.

What power grids are companies today using to grade themselves against? Companies operating on the old power grid want to benchmark themselves against what they did a year ago. This internal measurement breeds complacency. You might have made enormous

leaps as an organization, but those leaps might be inconsequential in terms of total disruption. Grade yourself against the industry as a whole, instead. How did you compare to what everyone else is doing to solve the problem you are working on? That's the measurement that matters.

5 Laws of Intrapreneur Empowerment

1. **Plug into the new power grid.** Companies can't survive on the old power grid. They have to rewire or become disrupted. Intrapreneurs operating inside the old power grid, but who believe in the new power structure, will feel like caged birds. They are the people who end up leaving a corporation to launch a startup.

2. **Rule of 20 and indispensable ROI.** Intrapreneurs have to build financial leverage. You can't manage power transition theory without proving you can deliver ROI. At the same time, the company has to follow the Rule of 20. This means that for every 20x growth of a new venture, there is a 20% turnaround in a legacy business. Innovate while dragging the legacy business along with you. If you don't, you end up innovating without scaling.

3. **Convert your skeptics into supporters.** Convert the skeptics with value. Do that by showing them the data. You don't want to ignore your skeptics, but instead, make them a part of the story. This process takes patience, so don't be tempted to give up.

4. **Make space in the system.** Within an existing power structure, the company will want to pigeonhole someone into sales or marketing or IT. That's the language the company speaks. Intrapreneurs have to make space in the system so the company sees what they are doing, and can reward and empower them. Start by finding a champion in leadership who believes in what you are doing and can help you break down walls.

5. **Speak to power like you are willing to leave.** Be brave enough to have difficult conversations, especially in moments of extreme transformation. Speak up to leadership about the 300-pound gorilla in the room, which is the thing that scares everyone and no one wants to acknowledge. People respect someone who can bring up those uncomfortable conversations.

Permanent Reinvention Mindset

Change is a characteristic element of our existence, yet it is an aspect that garners resistance for many people. In part, this struggle may be due to the conventional model used to explain change. For example, when it comes to how we think about life, we generally ascribe to a linear framework that says we are born, things happen, and then we die.

Aidan McCullen
Principal at Edge Behaviour, Host of The Innovation Show Podcast

We believe in similar ways about innovation; there is a starting point and an endpoint. But a better way to think about change is in cycles; even nature demonstrates how change is cyclical. Aidan McCullen shares insights from his new book "Undisruptable: A Mindset of Permanent Reinvention for Individuals, Organizations, and Life", offering a new perspective on change.

The Lesson of the Butterfly

We often admire the butterfly's beauty but rarely acknowledge the changes the creature endured to become a butterfly. So, let's look at the butterfly's life cycle and how this example can inform our view of change and present a new perspective.

The initial stage in the caterpillar's life begins with birth (at the organization level, this is equated to the introduction of a concept). As the caterpillar emerges from the egg, it turns to the shell that once protected it and consumes it as fuel.

During this time, the caterpillar experiences incremental growth (in business, comparable to the iPhone iterations process). At a certain point, pre-programmed cells (called imaginal cells or, in business terms, "innovators") initiate a process that changes the caterpillar's DNA and overcomes the caterpillar. These cells induce the caterpillar to become a chrysalis. It is inside the chrysalis where metamorphosis occurs, and the caterpillar must sacrifice what it is, to become what it is going to be.

During this stage, an enzyme melts the caterpillar into a soupy fuel, and the imaginal cells spur the growth of wings for the sake of the butterfly's development.

Reimagining the S-curve

So, how can we translate the principle of innovation inherent in the development of the butterfly? Consider the S-curve. This framework is useful for explaining the phases of many things from a cyclical perspective. Traditionally, there are three stages (introductory, growth, and decline) that outline this approach. But what if we were to reimagine the S-curve to apply it to business and the process of trying to introduce change? Below is the model reconceptualized as it might apply to organizations:

- **Phase 1 (Development):** Introduction of a product/idea, garnering interest.
- **Phase 2 (Introduction):** Evaluating whether customers exist for your concept.
- **Phase 3 (Growth):** Confirming that a market exists for your concept, getting more funding, hiring more people, scaling.
- **Phase 4 (Maturity):** Continuing to hire more people, increasing marketing.
- **Phase 5 (Decline):** Establishing the business, increasing automation, bringing in consultants to evaluate how to increase profit, creating strategies for competing in the marketing space, reduction in creativity/ingenuity. This phase can be dangerous as leaders can become protective/defensive. This behavior cuts off creativity/generation of new ideas. However, the way to continue to thrive is in Phase 6.
- **Phase 6 (Jumping the Curve):** This is counterintuitive as it involves starting over again. Jumping to a new S-curve always looks like taking a step backward (ex., Getting to the top of your career and switching industries to begin at the bottom or starting a new revenue stream when the business has existing revenue). However, the key is to jump to a new curve before it becomes necessary; in other words, reinvent ahead of necessity. To do this successfully, you must build capacity

before you make the jump, such as investigating possibilities/options to build up your muscle.

Established businesses often forget their beginnings and don't invest in regular capacity building. However, it is essential to recognize that there is a return on capabilities and to value what has been built as a part of the process.

The Immortal Jellyfish

As you can see, the decline phase is not the end. It is merely a point in the process. If you can adapt to a mindset that envisions your 'old' organization as fuel for the 'new' organization, you will be able to successfully 'jump the curve' and discover the key to permanent reinvention if you don't succumb to a common pitfall.

The Turritopsis Dohrnii (also known as the immortal jellyfish) begins life like other jellyfish. But when this type of jellyfish experiences a crisis, such as a temperature change or the intrusion of a predator, it reverts to an infantile state by discarding parts of its body that are no longer useful and starts over. Again, for most of us, this is counterintuitive. But for the jellyfish, it is the secret to immortality.

Gratitude & Letting Go

When we reach a level of success, we often cling to that success; this is a downfall. Instead, we need to practice reflection and reframing to free us from unhealthy mindsets and behaviors that hinder us. Reflect on the bad experiences and the 'good old days' and reframe them as tools that shaped your journey and led you to where you are today. But then allow yourself to let go of what is no longer needed and embrace a vision for the future.

In business, this manifests as clinging to an old business model, which is in turn clinging to an old mental model. To change business models, we must first change mental models.

Becoming a Rebel in Your Organization

Most employees believe that today's workplaces are terribly broken. As a result, they want to stand up to the status quo and lead towards a better way of working that is more motivating, engaging, and more successful for businesses.

Pim de Morree
Co-founder at
Corporate Rebels

To be clear: becoming a rebel within the organization is not about growing your hair or putting on a Rock & Roll t-shirt. It's about being concerned with how you can improve the way organizations work, explains Pim de Morree, Co-founder at Corporate Rebels.

As a result, to become this rebel, you need first to understand where the problem is in the company and the company's way of thinking. For instance, although many people are feeling burned out, frustrated, and not engaged at all with the work they are doing.

It does not have to be this way. More people need to understand that work does not have to be the way that most are experiencing it at that moment. There are other ways to approach work, where employees actually enjoy what they are doing and are having a good time. Unfortunately, most people are not aware of that.

That is why understanding the problems of today's workplaces and how broken they are and then educating yourself in alternative ways of working can help you become a corporate rebel and start contributing to the organization by making it better.

Why Are Organizations The Way They Are?

If you go back in history, during the Industrial Revolution, many people all started working at very large corporate organizations at the same time. As a result, the "factory line" was formed, where a significant number of people who were not highly educated came into the workplace and had to do a substantial amount of manual labor. Consequently, these large organizations became used to having employees do the same thing every day, which led to a structure and organizational setup that was focused on efficiency and standardization.

And unfortunately, over time, although there were many changes in the workplace, the basic principle of focusing on standardization and efficiency is still present. Yet, today, everything changes exceptionally quickly, and these changes are happening every single day to lots of people, especially in the workplace. That is why standardization does not make much sense anymore, since the moment you try to create these efficiencies, things have already changed to such an extent that these efficiencies do not make much sense anymore.

For these reasons, organizations now need to adapt differently so that they can make changes more quickly based on the complexities they are facing and the continuous changes they will face in the future.

Are Corporate Innovators Corporate Rebels?

Corporate innovators are all about change, so it is common sense to consider them corporate rebels, even though most of these innovators may not even consider themselves a rebel. This is because most innovation departments are trying to make organizations better, more innovative, and as a result, more entrepreneurial.

That is why it is customary to assume that many people drawn to these departments and teams are intrinsically motivated to make a company more efficient and are focused on implementing newer ways of working and thinking, and are more open to experiencing these alternative working structures.

How Do You Identify Others in the Company That Want To Be a Corporate Rebel?

Becoming a corporate rebel can be a lonely journey, primarily because you feel stuck in an organization that you want to transform for the better but don't really know how to go about it or which people feel the same way as you do. That is why many of these corporate rebels often look for ways to bring these like-minded individuals together. And the best way to connect with these individuals is to reach out to them, whether through social media, meet-ups, or other events.

However, the main goal is to connect with people interested in the same topics as you and have the same goals and purposes as you. Because if you want to create a

revolution and impact how your organization works, it's vitally important to find those people. Since the more people you attract, the more people you can bring into your movement, and the better chance you have of changing the way the organization works.

How Long Does it Take To Change an Organization as a Corporate Rebel?

Unfortunately, changing a company's fundamentals won't take months. However, it should not take decades either. This timeline rests somewhere in the middle. So although a lot depends on numerous factors, most medium-sized companies can generally transform their beliefs and way of thinking in about two to three years, while large organizations can take significantly longer.

Most of the time, these changes start in a specific business unit or department. They then will begin to spread to other parts of the organization until the whole company has finally transformed. However, these changes are not small, they are rather radical transformations. For instance, these changes often involve companies overhauling their traditional structures and moving into self-managing structures or those that get rid of layers of intermediaries to give their teams a lot of entrepreneurial power. As a result, they are changing their entire organizational structure.

The Next Step: Lessons on Embracing Change and Continuous Improvement

At its simplest, disruptive innovation is a silly little thing that takes over the world, says Whitney Johnson, CEO at human capital consultancy WLJ Advisors. It's what Netflix did to Blockbuster and what Uber did to taxis. Disruption isn't just about products, services, companies or countries, though. It's also about people.

Whitney Johnson
CEO at human capital consultancy WLJ Advisors

Personal disruption is the cycle where we learn, leap, and repeat. The big difference between company disruption and personal disruption is that when it comes to personal disruption, we are both the disruptor and the thing disrupted. We are both Netflix and Blockbuster. You are disrupting you. To support in that process, Whitney has developed the Personal Disruption Framework, as outlined below.

1. Take the Right Risks

There are two kinds of risks. The first is a competitive risk, where there is an opportunity, but there is also a lot of competition. This might be something like a job posting for a position you want, but you know you'll be one of 50 people going for it. The other kind of risk is market risk. There is when you don't know if there is an opportunity, but if there is, there is no competition. Amateurs compete, but professionals create.

> *Ask yourself: What am I creating?*

2. Play to Your Distinctive Strengths

A distinctive strength is something you do well that other people don't. If you aren't sure what your distinctive strength is, ask yourself what exasperates you. What do you feel like is common sense, and you can't believe other people haven't figured out how to do yet? That exasperation is a signal that this is a strength of yours. Another way to discover your distinctive strength is to pay attention to the compliments you get. We're often uncomfortable when people compliment us because we don't value that thing they are complimenting. We don't value it because it's easy for us. When you know what you do well, though, you can leverage your strengths.

> *Ask yourself: What strengths have emerged this year?*

3. Embrace Constraints

We often feel like we could do something if we just had more time, or more money, or more support. According to the laws of physics, though, we need friction to make progress. For example, we might be more productive when we're under the time constraint of a deadline. When examining startups, the number one reason funded startups failed was that they ran out of cash. For unfunded startups, though, that reason was #10 on the list. They found a way to do it without money. We have to find success in spite of constraints, and sometimes even because of it.

> *Ask yourself: What constraint is helping me create?*

4. Battle Entitlement

To battle entitlement, we have to examine our expectations. Look for the word "should" in your vocabulary, such as saying something should be different. These statements put you in the position of being a victim of your circumstances instead of acting on what is. You have to close the gap between reality and expectations by focusing on reality. You make progress by asking yourself how you create with what actually is instead of what you think should be.

> *Ask yourself: What will I co-create with reality?*

5. Step Back to Grow

Personal disruption can make you step back, sideways, or down. To outside observers, it might look like you've lost your mind. When you are willing to step back or sideways, though, it can become a slingshot for personal growth. Stepping back can allow you space to assess a situation or create a better strategy. You might want to take a step back just to take a break, too, and that's important. Breaks and vacations can be progress, and they can help slingshot you into who you can be.

> *Ask yourself: What step back will I take?*

6. Give Failure Its Due

Failure happens, but it's not failure that's the problem. The real problem is the shame that we attach to that failure. If we buy into the shame, we're allowing a mistake to become a referendum on our identity. Separate shame from failure, because it's shame that limits disruption, not failure.

> *Ask yourself: Did I fail? Or am I learning?*

7. Be Discovery-Driven

70% of all successful businesses end up in a different place than they expected when they started. You have to recognize the importance of being willing to be driven by discovery. Take a step forward, gather feedback, and adapt from there.

> *Ask yourself: What is my next step?*

Disruption is, by definition, scary and lonely because you are out there playing where no one else is. You might feel a loss of identity and have moments of free fall. That doesn't mean you shouldn't disrupt. It means that if you are scared and lonely, you are on the right path. Keep climbing… Keep disrupting yourself!

How to Be a More Effective Catalyst

Being a Catalyst is hard work. When well-supported though, this change agent can drive entire organizations forward, on both a product innovation and a cultural level. How can you get there?

Shannon Lucas & Tracey Lovejoy
Co-authors of Move Fast. Break Shit. Burn Out. The Catalyst's Guide to Working Well and Co-CEO's at Catalyst Constellations

Shannon Lucas and Tracey Lovejoy, Co-CEOs of Catalyst Constellations, and best-selling authors of Move Fast. Break Shit. Burn Out. The Catalyst's Guide to Working Well, explain.

What, Actually, Is a Catalyst?

Originating from chemistry, the traditional definition of the term catalyst describes a person or a thing, or even an event, that quickly causes change or action. Within organizations, it's a change maker with an unstoppable drive to action, brimming with ideas to make the organization (and the world) better.

That can be synonymous with the term innovator, but it doesn't have to be. Catalysts are innovators, but they can also be rebels and troublemakers, pushing the status quo relentlessly.

The Six Key Attributes of Catalysts

All Catalysts are change agents, but not all change agents are actually Catalysts. What sets this group apart are six attributes that drive that relentless pursuit of change:

1. Catalysts piece together information quickly, seeing pieces of the puzzle come together faster than those around them.

2. Through that process, Catalysts have many ideas and see countless possibilities to make the world better.

3. Catalysts use these opportunities not in isolation, but to piece together a vision, a new destination that's better than today's status quo.

4. Catalysts go beyond visionaries, because they manifest that vision with their drive for action that transforms.

5. Catalysts have a naturally experimental mindset that relies on constant information intake and learning to optimize even while in motion.

6. Catalysts are typically perceived as being comfortable with risk and ambiguity by those around them.

Within these attributes lies a spectrum. Some Catalysts might be ultra Catalysts within a single day, other might take a bit more time but still move faster than those around them, Some Catalysts may not consider themselves risk takers because to them it feels more risky NOT executing on the vision they distilled from all the data they collected. But they all share at least some level of each of these attributes to fall within the category.

The Challenges of Being a Catalyst

In this type of mindset, burnout is a constant danger. Catalysts tend to lose themselves into projects, constantly looking to overcome organizational resistance and working to bring people along, cheerleading new visions and projects.

Over time, a cycle of excitement and exhaustion can easily lead to burnout. Being a Catalyst isn't a choice; they are driven by an innate -almost physical- desire to see a vision realized in the world. Not stopping, in turn, too often means no opportunity to pause, rest, and recharge.

Another common and perhaps the biggest challenge for Catalysts is the lack of stopping to clearly articulate a vision, helping the process of bringing people along. Catalysts can move into action before they take the time to externalize their vision, which means others may be unclear of the destination and not understand what is asked of them. That's especially challenging in internal environments, where collaboration is a vital part of bringing about actual change.

Becoming a More Effective Catalyst through Rejuvenation

Fortunately, the two challenges of burnout and not slowing down enough to articulate a clear vision can both be prevented through a single mindset shift: mindfulness & rejuvenation. It means taking time to self-regulate each day which allows us to slow down and be more empathetic – not only externally with customers but also with colleagues to understand them. This allows us to more successfully understand what is important to each stakeholder, and their relationship to change, so we can align our goals and get their buy-in and enthusiasm.

This includes getting more intentional about both visioning and actioning. Even within the iteration that leads to new and updated visions, a mix of compassion, empathy, and connection with others can play a vital role in both bringing others along and reducing the chances of burnout.

Compassion and rejuvenation doesn't only extend to co-workers, of course. It's just as crucial to focus inward, taking the time and energy and resources to focus on yourself and building your vision for yourself. Finally, even exchanging ideas and concerns in forums with other Catalysts can go a long way towards becoming a more effective version of yourself.

In short, it's about removing isolation from the process. Through a more intentional approach building on your own and others' feelings and emotions, you can become a more effective Catalyst of positive change.

Slow Innovation: Decelerating in a High Speed World

In a corporate world that prioritizes speed, and often at all costs, how can you slow down? And, more importantly, how can you slow down in a way that actually makes you more productive? Jennifer Tsitsopoulos, Principal of Innovation Strategy and Business Design at Board of Innovation, digs deeper into the modern need for speed and the opportunities to decelerate for the good of both personal and business goals.

Jennifer Tsitsopoulos
Principal, Innovation Strategy & Business Design at Board of Innovation

The Need for Speed

We're addicted to going fast. Ideas need to come quickly. Those ideas need to iterate even faster, to get into market and scale at speed. Every second we slow down is a second lost towards profitability.

That innate need for speed actually lies deeper than just the corporate and innovation environment. Even though the internet is as fast as it's ever been, we still want it to be faster. We cheer for the fastest sprinters, buy the fastest cars, and prioritize fast growth at all costs. Pausing to think and reflect almost doesn't seem to be worth the effort.

In the corporate world, part of the problem is an embrace of startup methodologies, like sprints and hackathons. It's about breaking things and learning from it, as quickly as possible. But, done wrong, it can backfire.

Innovation methodologies built on speed can lose track of the big picture in service of immediate, tangible business results.

We've seen the dangers of innovating too fast. General Motors launched an electric car in 1996, but the market wasn't prepared for it. WeWork rushed its process and crashed as a result. Speed traps exist in every industry, and they can be devastating.

Slowing Down

As the antonym of fast, slow tends to carry a negative connotation. When we think slow, we think lazy, slacker, or giving up. But it's impossible to ignore that slow is also having its own cultural moment, with slow food, slow fashion, and slow travel all playing an increasingly important role in our lives.

So why not translate that concept to the corporate world?

Think of Apple, and you'll likely think of an innovator and a category disruptor. But in

reality, Apple was hardly ever first to market. It thrived by taking an existing concept, learning from it, and perfecting its design or user experience. Rather than moving fast and breaking things, it knows when to slow down and let others do the initial world.

Of course, there's always a danger of going too slow. The key, then, is slowing down in the right moments to maximize your chances of success.

Practical Applications of Slowing Down Strategically

The traditional innovation process tends to follow a common pattern: ideation for solutions happens as quickly as possible, before the main corporate business slows down the execution from building to scaling to a crawl. But what if that process was reversed? What if innovation would take its time to develop the right solutions, aligned with the business? In that case, execution could be much faster, ultimately, leading to more successful business cases.

It's a practical approach of the Roman Festina Lente, or "hurry slowly": let your body and movements be quick, but keep your mind at a graceful and reasonable pace. The automations of executions, and the typical roadblocks, can be circumvented much faster when innovators take the time to think through the process, and do some due diligence.

That means, for instance, taking compliance not as the typical annoyance or roadblocks, but as an initial qualifier for successful innovation ideas. Bringing in the commercial aspect from the beginning helps to break down barriers, as asking the core business what might fail and why can prevent many ideas that sound good in theory but wouldn't work in practice from moving too far.

It's about balancing the ideas of speed and deceleration so that each can work in its ideal situation. It's combining type 1 thinking, which is intuitive, automatic, and effortless but comes with low reliability, with type 2 thinking that is more analytical, deliberate, effortful, and rigorous.

Critical thinking skills become vital. Pausing and reflecting on any situation can help you get there. Each helps to find barriers to execution early, to prevent unnecessary (but fast) work. Three lessons can help in that approach:

1. Slow down for decision-making, taking the time to make important decisions regardless of whether they're affirmative or negative.

2. Slow down to think system-wide, going beyond customer first to take the entire ecosystem into account. All potential impacts and ripple effects that stem from an original decisions are important considerations.

3. Slow down proactively to get ahead. Scan for signals that show potential opportunities, keeping a long-term vision in mind to not just disrupt but build better solutions for future problems.

None of these steps are easy. But, in a world obsessed with speed, they can make the crucial difference of getting important ideas to market, and allow each level of the business room to breathe in order to truly make a difference.

The Dark Side of Corporate Venture Building

Entrepreneurship and venture building are, by nature, uncertain. New, creative ideas need time to mature. Furthermore, it can be difficult, especially for big companies, to identify profitable business opportunities. We need to find a way to successfully navigate through the fog of confusion and myriad of choices that entrepreneurs face on the venture building journey.

Misha de Sterke &
Leo Custers
Managing Partner at Innoleaps /
Psychodynamic Counsellor,
Crisis – and Change Manager

Although venture building is meaningful work, if you take up this role you are going to face many challenges and encounter tension all along. This work requires a massive emotional investment- one that can cause some to unconsciously push above their own limits and boundaries.

Venture building is about so much more than developing products. There are emotional aspects (e.g., anxiety, fear) that must be managed as well. In fact, of the most common causes for startup teams to fail, 70% is related to these aspects, as Misha de Sterke, Managing Partner at Innoleaps, and Leo Custers, Psychodynamic Counsellor, Crisis – and Change Manager, explain.

Part of the Game

Even if you are an experienced entrepreneur, when creating a new business, things will go wrong. The fact is, it is hard to pull off a successful multi-faceted organization that also wins in a dynamic and competitive market. As hard as the tangible factors are to manage, it is the ability to manage our own psychology and the psychology of others that is the most challenging obstacle to overcome.

There is a common theme in today's entrepreneurship and hustling gospel, to always focus on the happy side and create good energy and trust. However, you need to work with and value the dark side of entrepreneurship, manage the distrust, uncertainty and anxieties, in order to bring more power to the innovation and venture-building activities of your organization.

If entrepreneurship were easy, everyone would do it. It takes a lot of grit, nerve, and perseverance to build a business. The innovation process is intense and forces the mind and heart to go places they've never been before. You have to postpone other endeavors, open up to things you've never experienced before, and build new relationships while letting go of others. Think about cash flow and at the same time manage your new customers and onboard them. One challenge after the other.

Can You Be a Leader With Dark Feelings?

A lot of feelings come into play during venture building. It is easy to know what to do during times of humor and happiness. However, many people become uncomfortable when emotions take a turn to the dark side. Yet, dark emotions should not be seen as negative.

For example, introducing fear into a team can be just the motivator to make it work. There's nothing like the feeling of failure to produce success. What kind of leadership do you practice in times of dark emotions? Can you make the tough choices to make the venture work? Or are you afraid of the consequences and that you might end up alone? As a leader you need to have the capacity to 'be alone', and tolerate your own fears and those of others. There are three main categories of dark feelings that venture builders and their teams experience during the journey.

Fear

Fear comes in various forms. It may be the fear of achieving team targets and goals or maybe the risk of losing professional relationships. It can also be about ambitions, drives, desires, and human judgment. Every organization is unique, and the fear that goes along with it will be unique as well. Typically, we don't talk about fear in teams. It's always, "We can do it!" However, what is seldom talked about is that fear can be a source of creativity and intelligence.

Distrust

Whenever you bring multiple people with different personalities together, there will be differences of opinion. This is entirely normal. In fact, at times, there may also be distrust. You or your team members may wonder if someone on the team has a hidden agenda. How do you handle instances of distrust not only with yourself but within your teams? Despite common thought, distrust is a perfectly normal and healthy feeling, so long as it is handled correctly.

Domination

This is a very common emotion you see in venture-building teams. As your company grows, team members, senior management, investors, or stakeholders may try to force your business to go in a specific direction in order to build a product or launch a new service. The more your company grows, the higher the stakes and the more players that enter the game and have opinions on the best next steps to take. Understandably, feelings of domination can be extremely overwhelming.

Embrace the Dark Side of Corporate Venture Building

The dark side of corporate venture building is not a negative. Embrace the full spectrum of emotions that you and your teams feel and lead with confidence and be OK with unconfidence. There are no bad emotions. Acknowledge the feelings, spend some time on them. If they had a voice, what would they tell us?

If we discard the dark side of entrepreneurship, we lose our creativity, our independence and power to create.

The Paradox of Innovation Leadership

A lot of leadership literature features simplistic thinking. Journals and books tend to set forward specific traits, tips, and tricks as if they are the essence of leadership. However, leadership can never be made so simple, suggests Alf Rehn, Professor of

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Leadership is hard. Period.

Leadership isn't a linear path in which you "do the right thing," but is instead a continuous fight with contradictions.

Contradictions: Problems to Be Solved?

Some contradictions are actually not solvable, and true leaders can recognize when that's the case.

Instead of trying to fix the unfixable, they learn to live with and manage the contradiction. They adopt mindsets in which they can accept that they will always partially fail, because not all things will always turn out perfectly. They find a way to manage this "good-enough" logic, so that they can handle continued contradictory work.

In this way, leadership isn't necessarily either/or. On the contrary, it is often both/and.

- Masculine *and* feminine strengths
- Hard *and* soft touches

Such continuous contradictions should not be seen as issues; instead, they generate a richness of experience only found in paradoxes and contradictions.

Paradox Does Not Equal Leadership

While good leaders can manage to lead through paradoxes, that does not mean paradoxes equal leadership.

Continuously chaotic behavior is not a strength.

However, in the truly confusing world of innovation leadership, one of the challenges is that the only thing we truly know about innovation is that it's going to surprise us. So there always will be an element of chaos to be managed.

And there are no magic tips, tricks, or methods to deal with surprises. Just as bad leaders will change their leadership styles according to the whims of fashions, Chief Innovation Officers may find it hard to resist the temptation to breeze home from conferences filled with the latest approaches, spouting exciting innovation buzzword. Such "innovation leadership" will suffer from the same problems most leadership ideas suffer from: a continuous search for the next big thing.

Moreover, such an approach belittles the fact that we actually need some form of authenticity in our leadership, if we are to create the kind of trust that makes people want to follow us forward in innovation initiatives.

The Trick to Innovation Leadership

The trick to innovation leadership, of course, is that there is no trick.

As innovation leaders, we need to move away from the notion that we can define innovation through a checklist, through a simple model, through a canvas, and instead, start seeing that our role as innovation leaders is letting go of the belief that we can control this.

Successful innovation leaders were never the ones with the most detailed processes that they stuck to methodologically. They were the ones who are capable of living with the contradictions of this world. They were masters of the most basic ingredient of innovation leadership, namely humility.

As innovators, it is quite humbling to realize there is no final trick, and there is no one true path, and there is no one right way.

No matter what you do, you will never hit a perfect score- and that's ok