

A graphic of a lightbulb with a black cord. The cord starts at the bottom of the lightbulb, goes down, then turns right to form a horizontal bar containing the text 'ENABLING INNOVATION'. The cord then turns down again, ending in a two-prong electrical plug at the bottom of the page. The background is yellow on the left and white on the right, with a grey diagonal striped pattern at the bottom right.

ENABLING INNOVATION

SUSTAINING INNOVATION



INTRODUCTION: **ENABLING** INNOVATION **SUSTAINING** INNOVATION



The Case for Innovation

The lightbulb moment, the mad-haired scientist attaching a lightening conductor to their house, the eccentric genius that realises everyone else in the world is wrong and it's their destiny to show the world they're right...

... these are stories for the movies. Invention and innovation are rarely singular adventures, particularly now in the age of specialisation and niche brilliance. They come about through great collaboration and, the dirtiest secret of all, usually combining existing ideas into a new one, or simply gradually improving something until it becomes unrecognisable to its previous generation.

These would not make good movies – gradual improvements do not an exciting 90 minutes make – but they are indicative of the innovation you should be looking for in your organisation. If you're not an IBM or Google the real innovation comes from making your product better each year, making your customers happier each year and by beating your competitors to the punch with new services that solve market problems and gain you market share.

In this document, we'll explore how a typical organisation can define innovation, enable it and sustain it long term. It will not describe how to achieve the 'moon shot', but it will hopefully allow you to shoot for your own, personal, moon.



"Innovation distinguishes between a leader and a follower"

Steve Jobs





CHAPTER 1: **ENABLING** INNOVATION

Stirring the pot – isn't it better to leave well enough alone?

Firstly, the world is changing so rapidly that by standing still you would soon become overtaken by rivals. This could happen to the biggest brands, and not necessarily because their product gets worse.

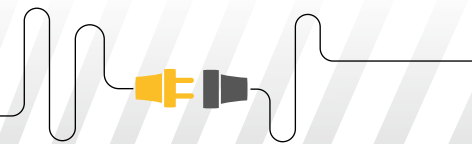
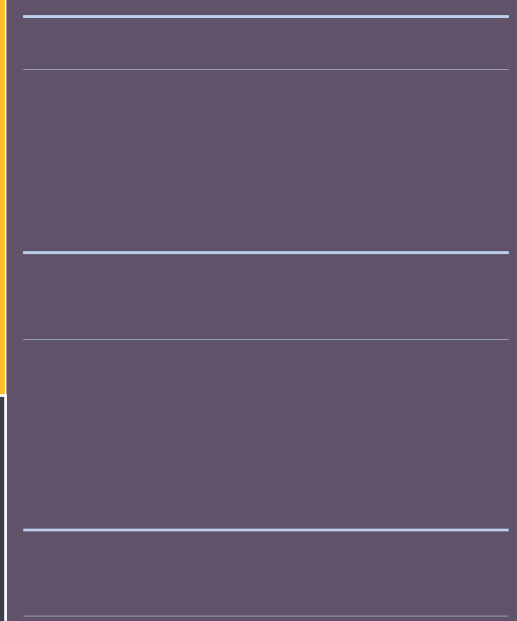
It could be because their processes (such as transporting of goods and general logistics) are overtaken by a new digital solution they don't adopt, giving their competitors a competitive advantage as well as additional revenues, which could then be invested in more marketing, thereby reducing your market share etc.

So, in today's world, innovation is essential for survival. However, if everyone else is attempting to do the same thing – achieve a step-change in performance – **it's not the companies that innovate that will be successful, it will be the ones that innovate successfully.**



“Business has only two functions - marketing and innovation.”

Milan Kundera





CHAPTER 1: **ENABLING** INNOVATION

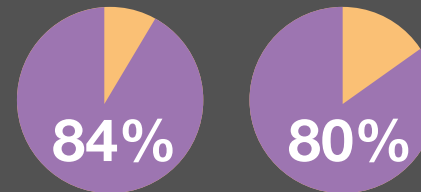
Second, resources. The vast majority of companies do not have a dedicated R&D department, particularly outside of those industries, such as pharmaceuticals, where R&D is in the very DNA of the business. Google's X Division was set-up to pursue opportunities entirely different to the company's core business, but the typical SME will only be able to dedicate resources on a part-time basis.

With this in mind, how do you innovate without dedicated resources?

Finally, results. According to a McKinsey report 84% of corporate executives think innovation is key to achieving growth objectives, but only 6% are satisfied with the innovation performance of their firm.

This is a massive problem – if leadership perceives innovation as an inefficient allocation of resources the temptation will be to row back on innovation projects and the thinking behind them. This will eventually lead to the 'death by a thousand cuts' but, the question remains, if only a fraction of the innovation process is acting like it should, would I be better investing resources elsewhere?

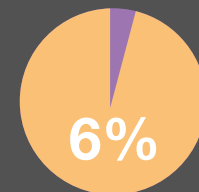
Although most executives agree that innovation is critical for their business...



Innovation is important to growth strategy

Business models are at risk

... only very few are satisfied with the outcome



Satisfied with innovation performance

Very few know what exactly the problem is, or how to improve in innovation and R&D

(Results of [Global Innovation Survey](#), McKinsey & Company)





CHAPTER 1: **ENABLING** INNOVATION



Enabling Innovation – Ingredients for Success

One of the reasons only 6% of executives are happy with their innovation results is because of an imperfect innovation process. The corporate away day, whiteboards full of notes, promises made and never followed up – this sound familiar? If it doesn't, well done. If it does, you'll recognise that a bad innovation process can generate good ideas, but rarely good solutions.

Here, we'll outline some suggested methods and structures you can put around your innovation process to make it successful. And remember, we are not looking for the next sliced bread, we are looking for a process of continual improvement and innovation across all business functions.

'...you'll recognise that a bad innovation process can generate good ideas, but rarely good solutions.'





CHAPTER 1: **ENABLING** INNOVATION

Make Rules

It doesn't seem intuitive but without rules and constraints, there will be no innovation.

Give a person a blank piece of paper and they'll go blank themselves. Give a person a piece of paper and tell them what not to write about, and they'll automatically begin creating in their mind.

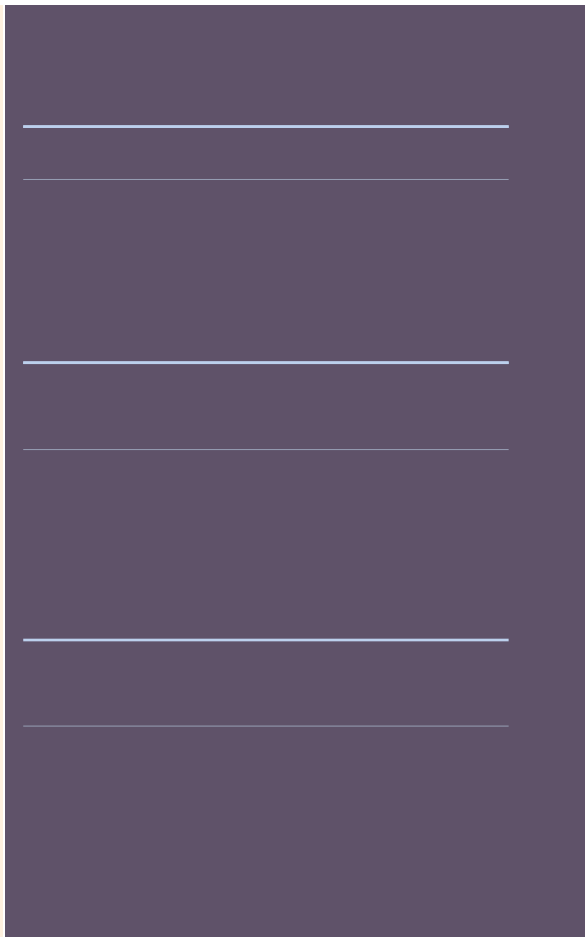
The important thing about rules and innovation is to be specific. Saying 'we only want product improvements that help our customers' is too vague – doesn't every business want to do that? – but saying 'we only want product improvements that help our customers have fun exercising' is much better defined, and will help your team to focus on what really matters.

Rules that are simple, memorable and easily articulated are at the core of innovation.



“Art lives from constraints and dies from freedom”

Leonardo Da Vinci





CHAPTER 1: **ENABLING** INNOVATION

Don't Stick to the Original Plan

ONSET Ventures' mission is to accelerate start-up businesses. Founded in 1984, one of the first things they did was researching 300 early-stage investments, both successful and failed, to see what the commonalities were in both endings. Their best predictor of failure, based on this research, was that companies stuck to their original business plan and were not flexible enough to shift direction when it was needed. ONSET came up with a rule based on this finding – all start-ups must fundamentally change their business model at least once before receiving their next round of funding.

This rule for start-ups can be supplanted into the innovation process, and can be scaled up no matter how large the company. Your innovative initiative is essentially a start-up company, and will change as it grows.



**“Innovation
is moving
at a scarily
fast pace...”**

Bill Gates



‘...all start-ups must fundamentally change their business model at least once before receiving their next round of funding.’





CHAPTER 1: **ENABLING** INNOVATION



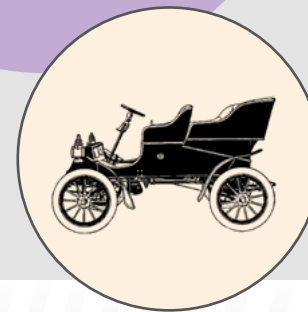
Mix and Match your Team

A crucial aspect of any innovation project is to not just leave it to the creative arm of your organisation. Many of the best ideas will come from the functional aspects of the business, and especially the front-facing side that has the most customer interaction.

When forming teams to create ideas and brainstorm improvements, make sure it's a good mix of people, particularly personalities. Having too many creative people will result in ideas but little follow-through, whereas too many with a conservative approach will lead to stagnation at the beginning. Any successful innovation project will have a mix of people, and with the right responsibilities against their name.

**"If everyone
is moving
forward
together, then
success takes
care of itself."**

Henry Ford







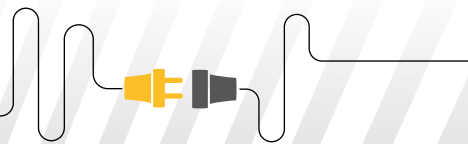
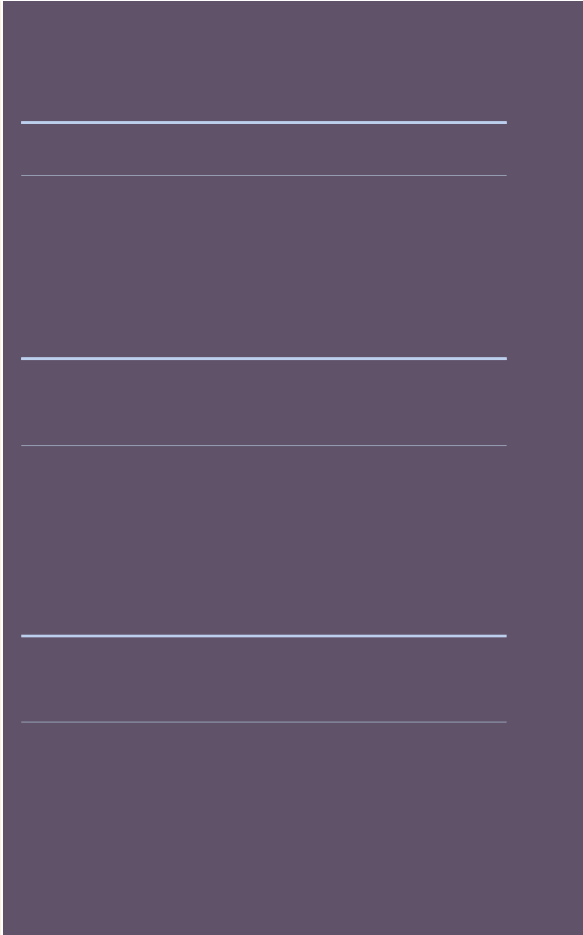
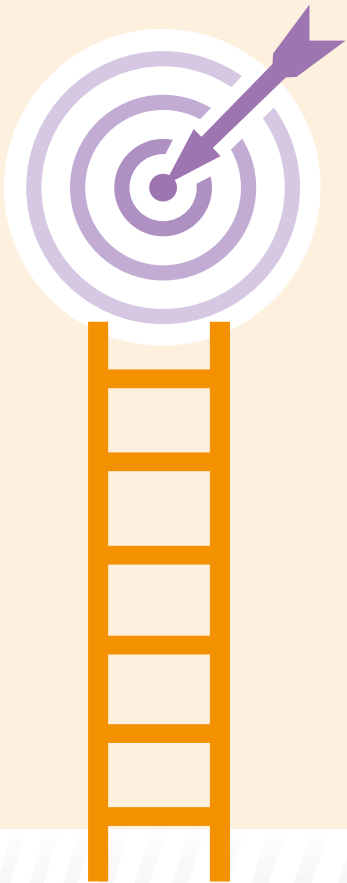
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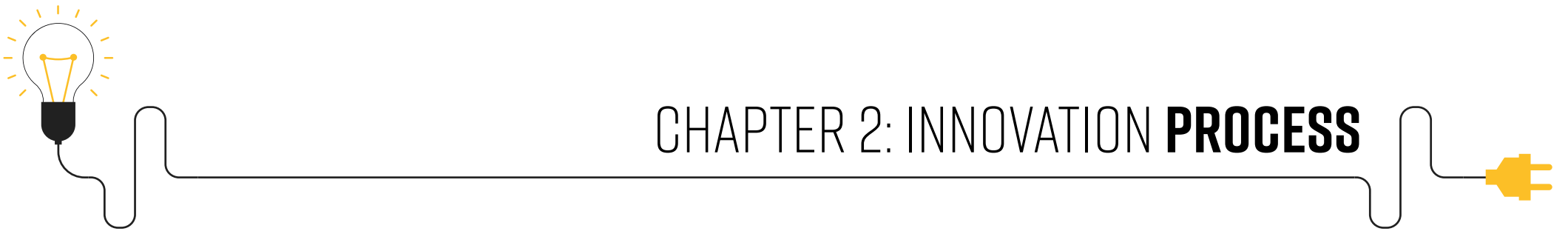
Concentrate on the Problem, not the Idea

Ideas are only as valuable as the problems that they solve. Identifying problems is half the job of innovating, but can be hard to do. Look for tensions throughout your organisation, either internal or external or a combination of both, and do a deep-dive into them.

Organisations that innovate consistently have developed a systematic approach for identifying these problems on a continual basis. To actively go searching for these issues can be time-consuming, but it can also be done through virtuous circles (such as customer surveys) that allow you to build up data and then review regularly.

It's easy to dismiss one complaint when you've received ninety-nine compliments, but that one complaint may be a new business opportunity.



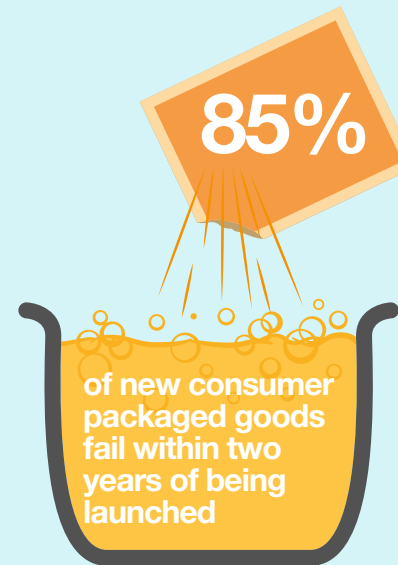


CHAPTER 2: INNOVATION **PROCESS**

Innovation Process – Cooking Instructions

But what, we hear you ask, does an innovation process actually look like? Is it people in a room brainstorming ideas, is it people in lab coats under synthetic lights... what is it? How can I implement it in my company?

The answer is not necessarily simple, and there are lots of proposed methods. The simple truth is, like all truly valuable initiatives, innovation takes time, thinking and needs to be made personal to your own circumstances.





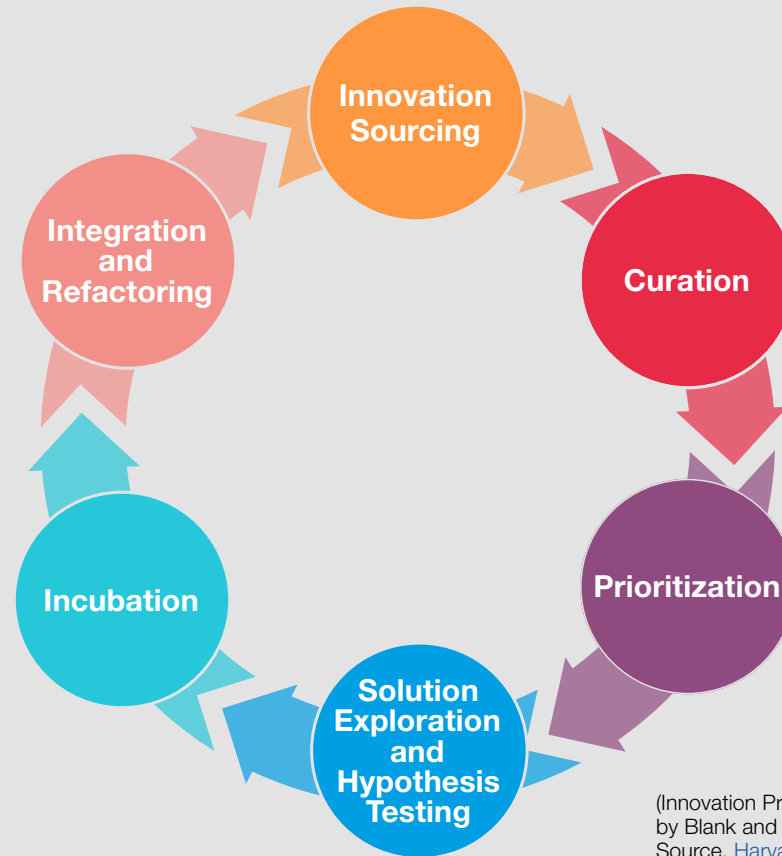


CHAPTER 2: INNOVATION **PROCESS**



In saying that, Steve Blank and Pete Newell, writing in the Harvard Business Review, proposed a self-regulating, evidence-based innovation pipeline process.

Let's dive right in.



(Innovation Process Model by Blank and Newell. Source, [Harvard Business Review](#), September 2017)





CHAPTER 2: INNOVATION **PROCESS**

Innovation Sourcing: Essentially idea generation – about as far as most companies will get. This is simply getting people to generate a list of problems, ideas and technologies they feel are worthy of attention.

Technology is one of the new aspects of this. Due to its ubiquitous proliferation into every aspect of life, there are ready-made solutions out there that may be successfully applied to your business. The cleaner that comes into your building at night might be using an app that could help you connect with your franchise managers on a regular basis, the receptionist might be using a contacts management system that could be applied to your sales team – having the different voices in the rooms will bring different experiences into the conversation, and different technologies with them too.



“Every once in a while, a new technology, an old problem, and a big idea turn into an innovation”

Dean Kamen



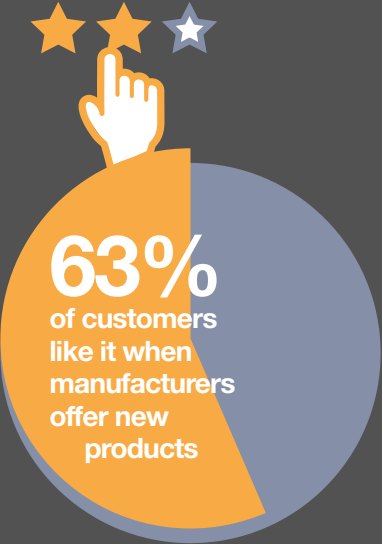


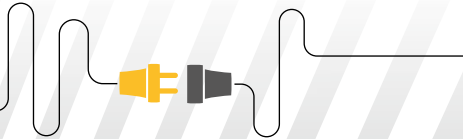


CHAPTER 2: INNOVATION **PROCESS**

Curation: Getting the customer's view at the beginning of the process is vital. One of the difficulties is getting an honest customer view though. This is for one simple reason and is particularly applicable to SMEs – the customers you can get in the room are usually good acquaintances and thereby can find it difficult to criticise too openly. An outside agency might be useful to create a distance.

This element of the process also contains an internal review aspect, looking to identify any legal, security or support issue that might block the idea before it can even start. If it's a physical product, it might include building a minimum viable product (MVP) for testing – essentially a crude prototype for customers and internal stakeholders to identify issues and challenges.







CHAPTER 2: INNOVATION **PROCESS**

Prioritisation: You should now have a list of ideas, feedback, and encouragement from senior stakeholders to carry through the innovation project. You now have to decide which idea is to be prioritised and focused on. Blank's and Newell suggested using the McKinsey [Three Horizons Model](#) to sort through the ideas.



Horizon 1 Ideas

Ideas provide continuous innovation to a company's existing business model and core capabilities.

This is where most ideas in service companies will sit i.e. improving an existing service rather than an entirely new one.



Horizon 2 Ideas

Ideas that extend a company's existing business model and core capabilities to new customers, markets or targets.

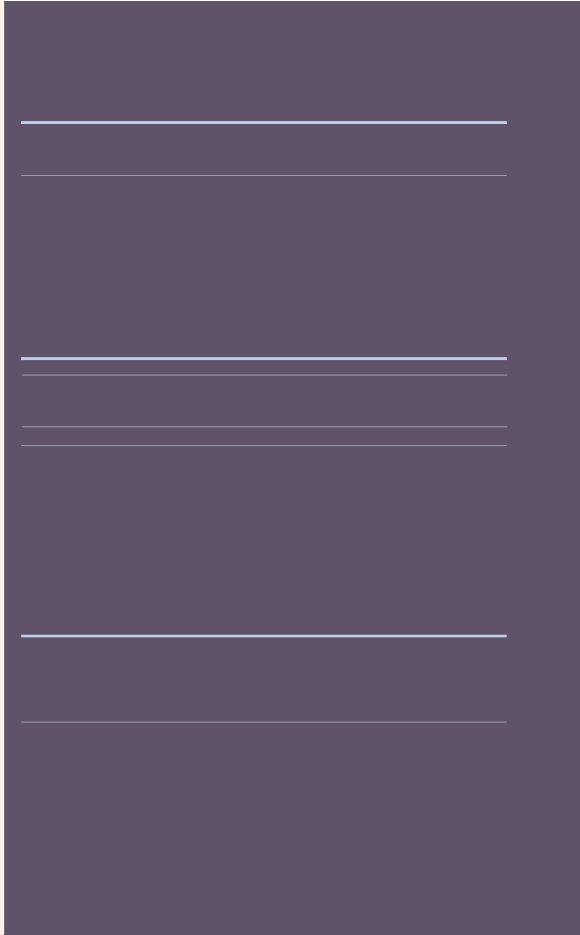
For example, adding a consultancy arm onto an existing, commodity-based business.



Horizon 3 Ideas

Creation of new capabilities to take advantage of, or respond to, disruptive opportunities or disruption.

Apple's famous iPod launch is an obvious example here – an almost entirely new product that disrupts the market.





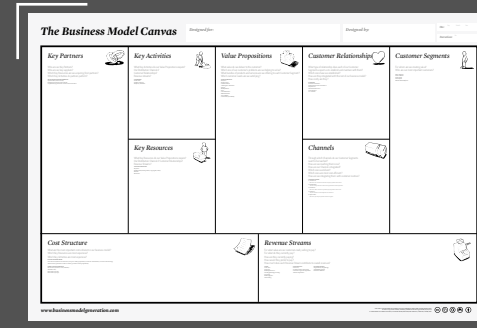
CHAPTER 2: INNOVATION **PROCESS**

Solution Exploration and Hypothesis Testing: Now the ideas have to be re-evaluated and explored in much more depth. Again, there are a number of methods here, but let's concentrate on a simple framework that has proved hugely successful in the past.

The categories the framework shows will begin stimulating ideas in and of itself, and will also direct you to who should be brought into the room. You may want to bring the finance department again, people from operations, customer facing roles, customers themselves, and so on.

This stage can be lengthy with plenty of false-starts. Don't get discouraged – the false-starts are a vital part of the process and, in reality, are the identification of unforeseen problems alongside a workable solution.

This is a major stage of the innovation process as, after this, the idea will begin to be implemented within the organisation. It's important to get buy-in from people around you and make a strong case for its value.

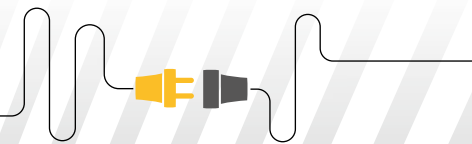


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“There is no innovation and creativity without failure. Period.

Dr. Brene Brown





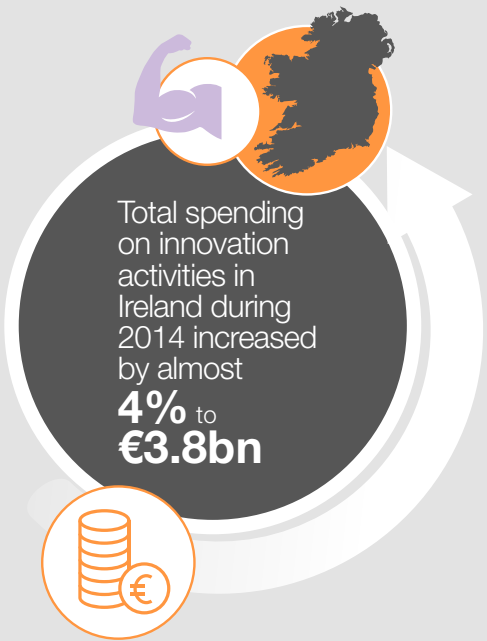
CHAPTER 2: INNOVATION **PROCESS**

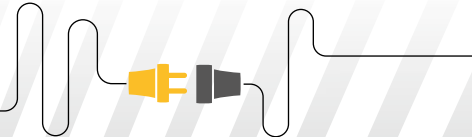
Incubation: This is often the part where organisations fall down on – the step just before implementation. You accounts team may have a super idea for issuing and collecting invoices in a collated system and have tested it thoroughly, but if the company can’t get buy-in from the operations team actually dealing with the invoices the old system will remain in place.

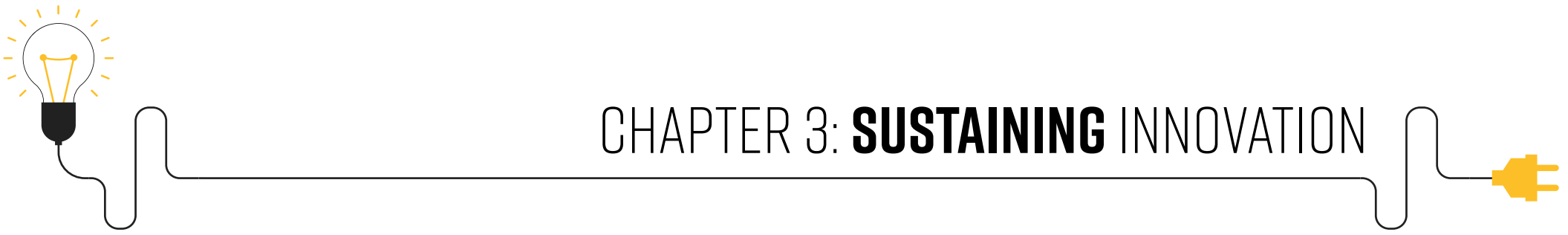
This stage requires leadership oversight to ensure the project does not die from lack of resources or because there was no-one there to guide it to fruition. This may mean group learning sessions and even a system of rewards for testing and beginning to implement the new idea.

Integration and Refactoring: This stage is relatively self-explanatory – it’s a system of checks and balances that you must carry out before and after launching a new idea. A poor launch within a company can lead to frustration, confusion and a belief that the change is a threat and not an opportunity.

Once the idea is out there, it needs to be evaluated again. With a physical product, this could mean going back to the engineers with feedback from customer surveys etc. to suggest improvements for the 2.0 version, while with services it could be checking each point of the supply chain to spot opportunities to improve and create more efficiencies.







CHAPTER 3: **SUSTAINING** INNOVATION

The Problem with Innovation is That You Must Share It

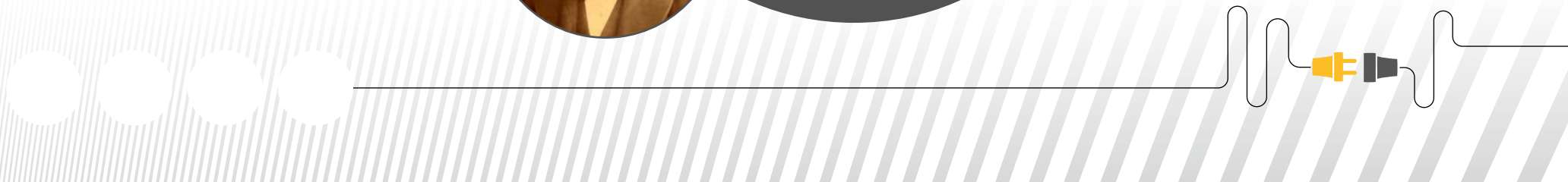
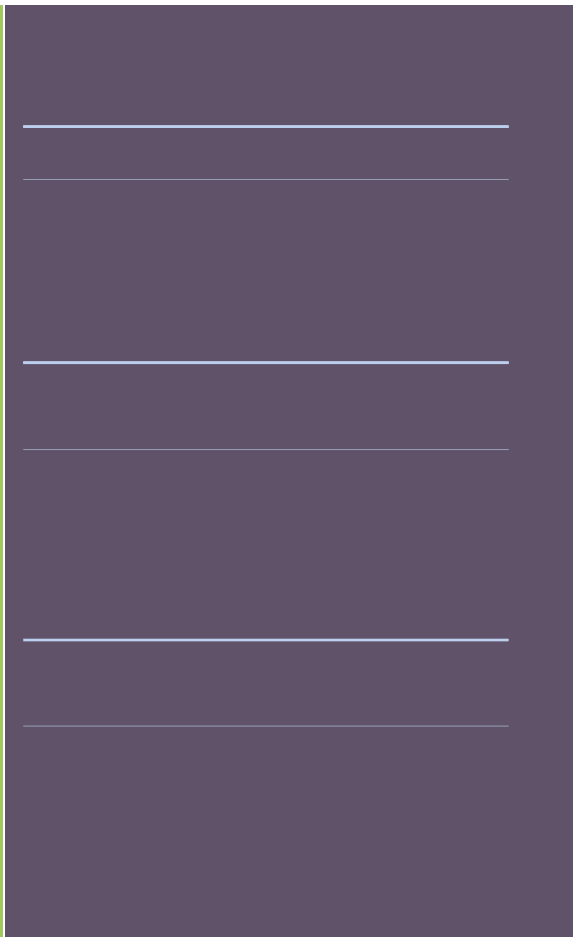
And, if you're not able to patent it, you're also going to have to share it with your competitors. You do all the work and within six months they've caught up.

Although, we know that's not really true – the first to market has a significant advantage over those that follow, not least through the institutional knowledge gained by going through the innovation process itself. However, the point does remain; most innovation will be defunct relatively quickly.



“Learning and innovation go hand in hand. The arrogance of success is to think that what you did yesterday will be sufficient for tomorrow.”

William Pollard





CHAPTER 3: **SUSTAINING** INNOVATION



So, other than ‘start the whole process again’, how can an organisation be continually innovative? This question is, again, not directed at the multi-national global companies which have innovation centres and silos, but to the average company looking to not be left behind.

We are not chiefly exploring how to invent the iPod here, we’re exploring how to improve the iPod until the point where it now only exists as *part of an iPhone*.

There are a number of processes and techniques to prompt you on when to begin an innovation project again, and what area to do it in, to ensure that process of continual improvement and innovation.

In this section, we’ll look at some of those techniques.







CHAPTER 3: **SUSTAINING** INNOVATION

1. Continually Improve Your Offering

Seems obvious, right? However, it is incredibly easy for a company to innovate a great product, launch it, and then stop. For several years all the graphs will steadily be pointing upwards, bonuses will be paid, Christmas parties will be hosted in the new fancy place everyone's talking about, and fantastic articles will be written about the 'minds behind the success'.

Two things will inevitably happen if this lethargy is allowed fester; 1) You will be overtaken by a new, disruptive competitor or, more likely, 2) a competitor will develop their product over time until it is simply better than yours.

Why did IBM succeed in the personal computer market? Why did the iPhone become one of the most successful products in history, but the Nokia 9000 smartphone (which was released earlier) did not? Why have Barnes and Noble survived (although not thrived) the digital revolution, but HMV did not?

The reason is that they were all brilliant at sustaining innovation. They never stopped making their products better, listening to feedback, testing, and then making them better again. The Intel microchip is still, fundamentally, the same product as it was 30 years ago, but just improved exponentially on what it can do.

If you can't take a holistic look at your offerings, get real market insight from your customers, and improve based on those findings, your organisation will become one of diminishing returns.



...believe that “organic growth through innovation will drive the greater proportion of their revenue growth.”





CHAPTER 3: **SUSTAINING** INNOVATION

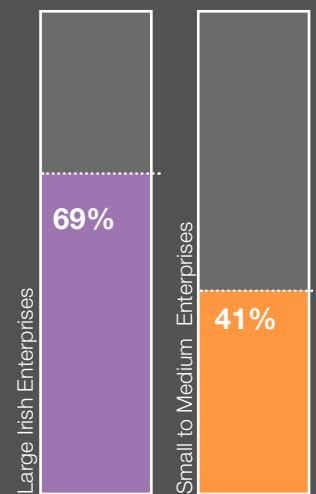
2. Listen to your Customers

Employees are trained to love the organisation they work for. Every new product or service is treated with reverence (the bigger the company, the more wide-eyed it seems to be) and newcomers through the door are usually treated to a presentation that demonstrates how lucky they are to be working at this bastion of brilliance.

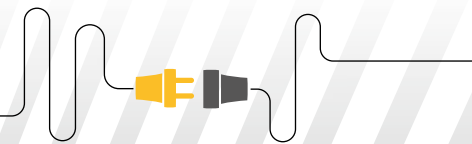
This can make internal criticism difficult. If everything's perfect, why even ask any questions?

Without this internal criticism (or at least having it watered down) the gaps between the value you believe you are delivering and what the customer is actually receiving won't be closed or, indeed, be improved so that you deliver more value than expected.

Beyond the traditional methods of gathering customer feedback, **sentiment monitoring** is a relatively new function for an organisation to gather data about their product. Sentiment analysis allows brands to monitor the online reaction to their product or service, typically on social media. Sentiment monitoring would typically only be deployed in a large, consumer facing company, as it only becomes truly useful on a large scale.



Over **69%** of large Irish enterprises had innovation expenditure in 2012-2014 compared with **41%** of SMEs





CHAPTER 3: **SUSTAINING** INNOVATION



3. Make Partnerships

Once you have reached that level where you're ahead of the market through an innovation initiative, creating partnerships will allow you to solidify your place in the marketplace, make it more difficult for competitors to barge in, create efficiencies of scale, and also give another voice to the sustaining innovation process.

As before however, if this partnership becomes too cosy and is not continually looked at for possible improvements, it will become a burden and not a benefit.

4. Live up to your Brand

An excellent touch-point for any senior leader is to sit down and look at what their marketing department is telling the market-place. Are you truly 'world-class' and the 'premier provider'?

If not, then this gives you a goal to aim for.



**How do we
become
'world-class'?**

With that
question,
you can begin
the innovation
process.





CHAPTER 3: **SUSTAINING** INNOVATION



5. Support the Idea

If your innovation project doesn't have supports in place, it will fail. This will often require leadership in re-organising workflows, diverting resources and providing a clarity of vision. If not, it may only be noticed by a small base of customers and, you guessed it, your competitors.

A great idea won't sell itself, it needs the right supports to be heard. Budget and plan appropriately.

6. Have an Innovation Strategy

Probably the most difficult thing about innovation isn't about coming up with the ideas, it's remembering that you should be coming up with ideas. The day-to-day work will always take priority and if your organisation doesn't have a concrete innovation strategy that forces people to make it part of their day-to-day working lives, the company will plateau and eventually dive.

As outlined above, it's not good enough to simply have an off-site brainstorming day once a year, a clear and coherent strategy needs to be introduced and followed-through over and over again for your organisation to achieve real, long-lasting success.



"I can give you a six-word formula for success:

Think things through – then follow through."

Eddie Rickenbacker



ENABLING
INNOVATION
SUSTAINING
INNOVATION

Whether you are looking to introduce an innovation process into your organisation, develop the capabilities of your people critical for growth or are considering a deeper organisational transformation, the IMI customised solutions team can partner with you at every step.

In this uncertain world, it is vital to give your people the tools they need for your organisation to thrive. To learn more about how IMI can partner with you, please contact the team at www.imi.ie/customised

