INOVO

ROUNDTABLE

5.10.19

INNOVATION ROUNDTABLE

Managing the Relationship between the Corporate Innovation Group and the Business Units

In May 2019, The Inovo Group hosted seventeen innovation executives in Ann Arbor, Michigan to discuss the relationship between the **Corporate Innovation Group (CIG)** and the **Business Units (BU's)**. Both elements of the organization have an innovation mandate, but with distinctly different expectations. The CIG is charged with **Strategic Innovation** or "*Innovation for Growth*," while the BU's are charged with **Sustaining Innovation** or "*Innovation for Excellence*." This latter path is inherently compatible with the BU's charter, namely Operational Excellence. But it is also not a path that tolerates uncertainty. This is the source of the tension.

These two worlds have different goals, methods, mindsets, and required skills. Despite years of developing an intentional approach to innovation, companies are still looking for the right way to orchestrate the "dance" between these two partners. The CIG and the BU's *must* work together if the organization is to experience significant growth.

What follows are the top themes and insights that emerged from a day of interactive dialogue and collaborative problem solving.

INNOVATION IS EMERGING AS A PERSISTENT CORPORATE FUNCTION

BUT CHALLENGES FOR INNOVATORS ARISE WHEN NAVIGATING EXPECTATIONS AND WORKING WITHIN PRE-EXISTING CORPORATE STRUCTURES.

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THE SOURCE OF THE TENSION – A CULTURAL DIVIDE

	Strategy and Type of Innovation	Culture	Risk Profile	Investment Timing and Revenue Focus
Business Unit Focus	Current strategy and sustaining innovation to extend existing business	Operational excellence, customer intimacy, and execution skills	Focus on low-risk operational efficiency and product design changes	New products in 6-24 months. Profit and loss management with in-year revenue streams.
The Divide				
Strategic Innovation Focus	Strategic intent guides innovation for growth and renewal. Innovation can drive strategy.	Exploration; future intimacy and new business creation skills	Risk mitigation through staged learning, strategic partnerships and portfolio management	New businesses in 2-10 years. ROI over long term with increased tolerance of and allowance for failures.

from Gina O'Connor - 2015

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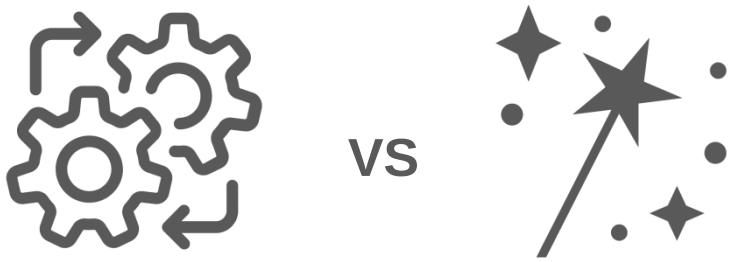
WHAT INNOVATION IS

NAVIGATING EXPECTATIONS



SYSTEMATIC VS AD HOC

Innovation as a practice is now commonplace and a required function for firms to remain competitive – or even relevant. But the language and the systems of innovation remain ill-defined to many in the organization.

"When innovation means everything, innovation means nothing."

Much of the job of innovators is managing and navigating the *expectations of innovation* and getting leadership to buy into both mindset and process. The CIG needs to make an intangible future tangible, allowing people to envision how the future of the industry might be with new offerings in it. This means navigating uncertainty and thinking concretely about what the future might hold.

One valuable tool for navigating expectations is the art of storytelling. If a new offering is not yet possible, the challenge is to imagine and invest in a *possible* future.

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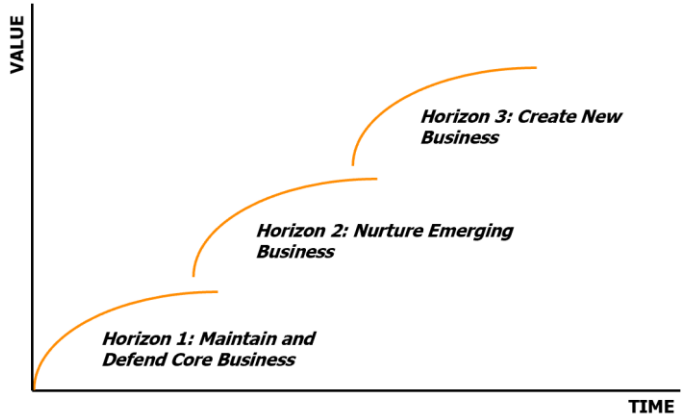
ON INNOVATION

COUNTERPRODUCTIVE BELIEFS

"I hate the 3 horizons – it makes everything look like innovation."

Over the past 20 years, the history of innovation has revealed many insightful mental models. This history has also brought ideas that seemed great at the time but have become counterproductive. Some that the group shared include…

- *"Innovation Is Everyone's Job"* – but not everyone is equipped for, incented to, or skilled at navigating uncertainty.
- On Open innovation – Except for narrow technical challenges, reducing uncertainty is a journey of high engagement, not an arms-length transaction. *"The Idea Box creates crazy expectations. No one is going to drop the business plan in the comment box."*
- *"Fail fast" – But we're not trying to fail. "Failure" is the price of learning. The aim is to learn fast.*



THREE HORIZONS FRAMEWORK

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INNOVATION

INTANGIBLE…UNTIL IT'S NOT

"When an opportunity is profitable, suddenly it's very strategic and aligned with company goals. The business does not always know what it wants until it sees it."

For offerings that are new to the world, customers don't know what they want until they can experience it. Tools that deliver (or simulate) the experience of the offering are essential tools to learning what the offering should be. Doing that quickly and cheaply is even better.

In one example, a journalist was hired to "tell the story" and paint a mental picture of the product. This form of rapid "protocepting" is helpful before creating a full-fledged product, or even an initial prototype.

FROM CONCEPT TO TANGIBLE PROTOTYPE

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WILL THE INNOVATION FUNCTION ENDURE?

ON INNOVATION BECOMING A CORPORATE FUNCTION

The Corporate Innovation Group is now a familiar corporate function. But will it last through the business cycle or a change in executive management? Today, Innovation as a functional area is not as established, or persistent, as other functional areas such as Finance, HR, or IT. These traditional departments are charged with delivering operational excellence. They are expected to never “fail.”

How will companies navigate giving the innovation function the autonomy it requires to experiment? What will be the new standards for what it means to be successful?

For innovation to become a persistent member of the functional department suite, it needs “operational excellence” of a different order – where failure is defined as “not learning” rather than “not winning” with each experiment.

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THE KEY TO INNOVATION ENDURANCE

INSTITUTIONAL MEMORY

"If failure is learning, then the only failure is not learning."

Innovation Groups come under threat in the downturns. Having an institutional memory of past projects, successes, and community relationships is a way to demonstrate the value of an innovation function. This is also the key to surviving a change of leadership.

Opportunities in the early stages are also unproven. How can you gauge success? The use of an Opportunity Management System can help trace *future* successes back to their origins in the CIG. This intuitional memory also pays off when ideas "come back around."

"We've heard of that startup before. Here's the report from four years ago. By the way, here are three other startups doing the same thing."

Permanent capabilities that provide durability to a Corporate Innovation Group:

- Tech Scouting Network
- Corporate Venturing Arm
- Network with outside Venture Capital Community
- Opportunity Management System
- Training and Proficiency Assessment System

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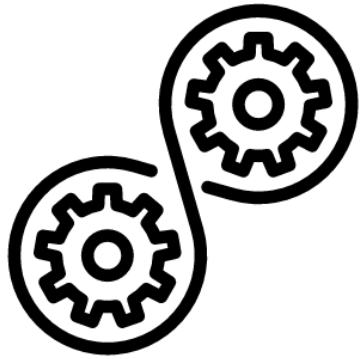
INNOVATION AS A SYSTEM

Innovation as no longer a process like stage gate, but rather a system for reducing uncertainty efficiently.

The emerging system for innovation includes elements to address…

- **Governance** – How groups and individuals manage the allocation of resources (budget, time, and attention).
- **Decision Rights** – The lines of authority for making choices. Having critical responsibilities “delegated in advance” allows for moving fast in the face of uncertainty and time pressure.
- **Organizational Structure** – Creating new rules of collaboration with corporate functions in advance. This enables the ability to leverage existing legal, IT, and HR functions, *without* the bureaucracy intendant on the operation excellence side of these functions.



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ENTREPRENEUR VS INTRAPRENEUR

EMBRACING AND LEARNING FROM "FAILURE"

Intrapreneurs are those charged with growth from *within* the organization. And they have advantages that entrepreneurs lack, such as *more* resources and *greater* access to customers. While entrepreneurs and startups move more quickly than their larger peers, their speed often derives from a *lack* of established processes. As a result, they fail more frequently as well.

"It's possible to have process and move fast."

For intrapreneurs to be successful, we need the right incentive system…which isn't always an economic incentive. It could include simply having a platform to know your ideas are heard and appreciated, or having the space and permission to experiment – and sometimes "fail," and so learn. Not all executive teams provide this support or are willing to invest in opportunities when uncertainty is high.

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ENTREPRENEUR VS INTRAPRENEUR

FIGHTING "SILO-IZATION"

"Siloization is one of the barriers that slow large companies down. People are afraid to operate outside of their 'silo,' like reading or drafting a contract without going through the legal department."

"You are almost chastised when you try to do something outside of your function."

"The things that make a company large enough to pursue strategic innovation are exactly the things that make you incompatible with it." (e.g., procurement, legal, compliance, IT, etc.)

The incentive system needs to support what Intrapreneurs are charged with – namely, moving fast while making decisions under uncertainty. Designing the right systems to achieve this is still an open problem.

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RESOURCES

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CLICK ICONS FOR LINKS

BOOKS (1/2)

The Three-Box Solution: A Strategy for Leading Innovation by Vijay Govindarajan (2016)

The Other Side of Innovation: Solving the Execution Challenge by Vijay Govindarajan, Chris Trimble (2010)

Atomic Habits: An Easy & Proven Way to Build Good Habits & Break Bad Ones by James Clear (2018)

Little Bets: How Breakthrough Ideas Emerge from Small Discoveries by Peter Sims (2013)

Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts by Annie Duke (2018)

Thinking, Fast and Slow by Daniel Kahneman (2011)

Everybody Lies: Big Data, New Data, and What the Internet Can Tell Us About Who We Really Are by Seth Stephens-Davidowitz (2017)

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BOOKS (2/2)

Ten Rules for Strategic Innovators: From Idea to Execution by Vijay Govindarajan (2005)

Sprint: How to Solve Big Problems and Test New Ideas in Just Five Days by Jake Knapp

Exponential Organizations: Why new organizations are ten times better, faster, and cheaper than yours (and what to do about it) by Salim Ismail (2014)

Creative Construction: The DNA of Sustained Innovation by Gary P. Pisano (2019)

Loonshots: How to Nurture the Crazy Ideas That Win Wars, Cure Diseases, and Transform Industries by Safi Bahcall (2019)

The Other Side of Innovation - Solving the Execution Challenge by Chris Tremble and Vijay Govindarajan (2010)

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PODCASTS + WRITINGS

How I Built This with Guy Raz: NPR

Masters of Scale with Reid Hoffman

a16z Podcast with Andreessen Horowitz

Dance of the Corporate Innovators (Inovo QI, Mar 2019)

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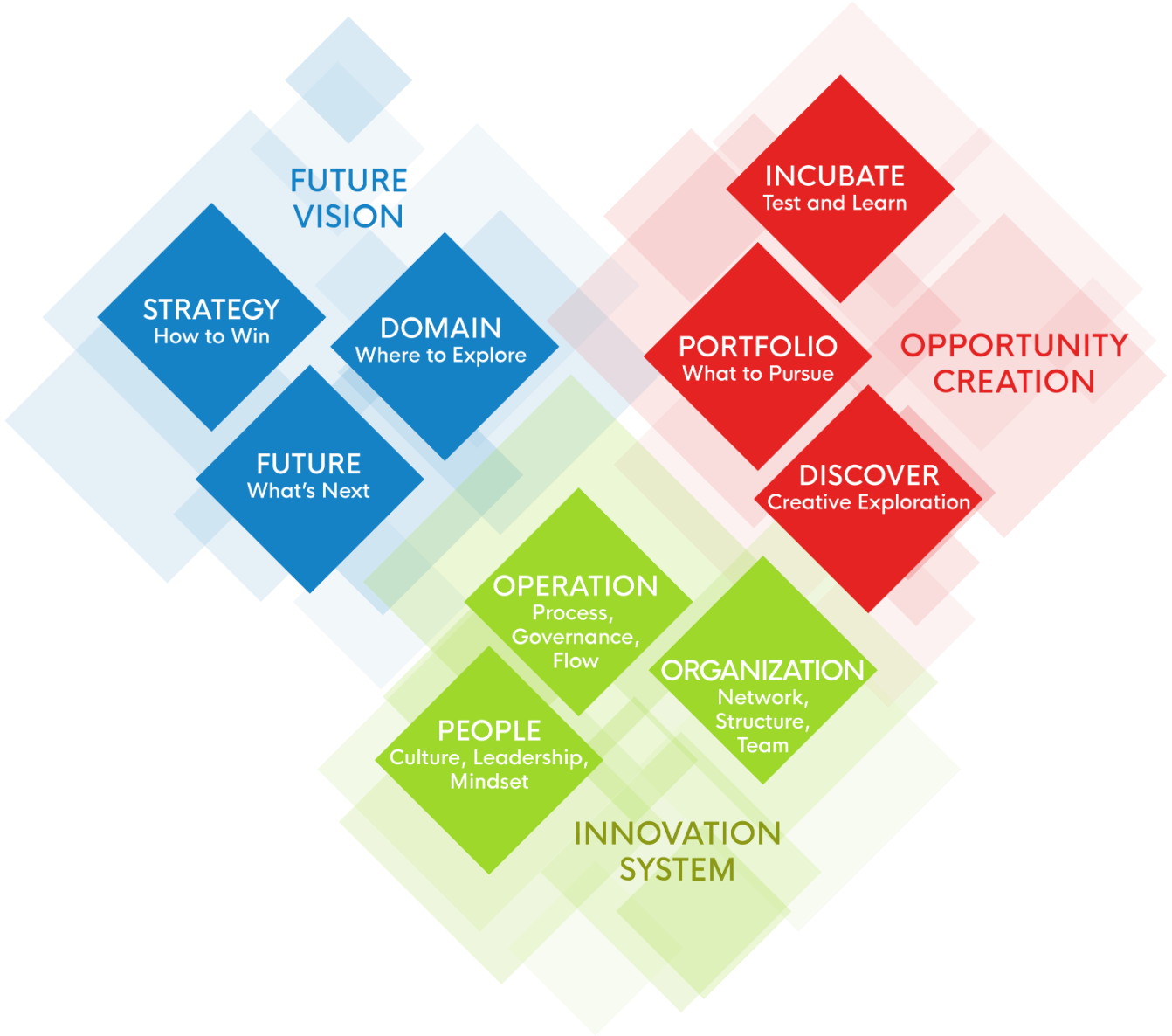

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