

A Framework for
Strategic Innovation

**Blending strategy and creative
exploration to discover future
business opportunities**

by

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InnovationPoint
from inspiration to impact

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1. The Art and Discipline of Strategic Innovation

Strategic Innovation is the creation of growth strategies, new product categories, services or business models that change the game and generate significant new value for consumers, customers and the corporation.

This paper describes a holistic, multidisciplinary framework that enables organizations to take a strategic approach to innovation.

The framework combines non-traditional, creative approaches to business innovation with conventional strategy development models. It brings together perspectives from a number of complementary disciplines: the non-traditional approaches to innovation found in the business creativity movement; traditional strategy consulting; the new product development perspective of industrial design firms; qualitative consumer/customer research; futures research found in think tanks and traditional scenario planning; and organizational development (OD) practices that examine the effectiveness of an organization's culture, processes and structures.

The framework consists of a cohesive set of practices that inspire imaginative teams to look beyond the obvious, explore a broad range of possibilities, identify significant opportunities, make informed decisions about the most promising paths to pursue, create a shared vision for growth, define pragmatic action plans that “bridge from the future back to the present” and align the organization around the requirements for success.

Strategic Innovation takes the road less traveled – it challenges an organization to look beyond its established business boundaries and mental models and to participate in an open-minded, creative exploration of the realm of possibilities.

“All men can see the tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved.”

– Sun Tzu

Some organizations may feel that seeking breakthroughs is too grandiose a goal, and that they would be content with “simply growing the business”. Experience shows, however, that focusing on the short-term typically yields only short-term results – while teams aspiring to seek significant breakthroughs will both identify “big ideas” and also generate closer-in, incremental ideas.

Strategic Innovation is not characterized by mundane, incremental product extensions, the “me-too” business models of close followers, or band-aids for inefficient processes. It does not consist of simple “facilitated creativity sessions and brainstorming new ideas”. It is not based on the linear principles of traditional strategic planning which extrapolate the past in an attempt to predict the future. It does not result in “pure blue sky”. Instead, it spans a

journey of inquiry and activity – from creative inspiration at the ambiguous “fuzzy front end” through the detailed requirements of successful execution that lead to business impact.

Strategic Innovation calls for a holistic approach that operates on multiple levels. First, it blends non-traditional and traditional approaches to business strategy, deploying the practices of “Industry Foresight”, “Consumer/Customer Insight” and “Strategic Alignment” as a foundation, and supplementing them with more conventional approaches and models. Second, it combines two seemingly paradoxical mindsets: expansive, visionary thinking that imaginatively explores long-term possibilities; and pragmatic, down-to-earth implementation activities that lead to short-term, measurable business impact.

1.1. Traditional strategy versus Strategic Innovation

Differences between traditional approaches to strategy and Strategic Innovation are:

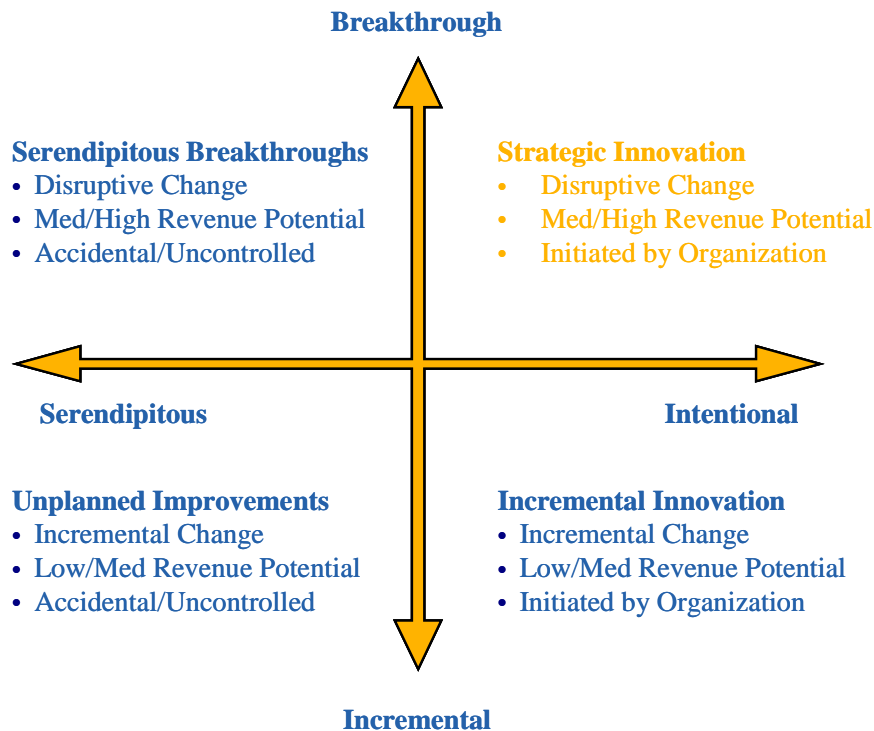
Traditional approaches	Strategic Innovation approach
<ul style="list-style-type: none"> • Adopt a “present to future” orientation – takes today as the starting point 	<ul style="list-style-type: none"> • “Starts with the end in mind” – identifies long-term opportunities and then “bridges back to the present”
<ul style="list-style-type: none"> • Assume a rule-maker/taker (defensive/follower) posture 	<ul style="list-style-type: none"> • Assumes a rule-breaker (revolutionary) posture
<ul style="list-style-type: none"> • Accept established business boundaries/ product categories 	<ul style="list-style-type: none"> • Seeks to create new competitive space/ playing fields
<ul style="list-style-type: none"> • Focus on incremental innovation 	<ul style="list-style-type: none"> • Seeks breakthrough, disruptive innovation – while continuing to build the core
<ul style="list-style-type: none"> • Follow traditional, linear business planning models 	<ul style="list-style-type: none"> • Marries process discipline with creative inspiration
<ul style="list-style-type: none"> • Seek input from obvious, traditional sources 	<ul style="list-style-type: none"> • Seeks inspiration from unconventional sources
<ul style="list-style-type: none"> • Seek articulated consumer needs 	<ul style="list-style-type: none"> • Seeks unarticulated consumer needs
<ul style="list-style-type: none"> • Are technology-driven (seek consumer satisfaction) 	<ul style="list-style-type: none"> • Is consumer-inspired (seeks consumer delight)
<ul style="list-style-type: none"> • May have a “one-size-fits-all” organizational model 	<ul style="list-style-type: none"> • May experiment with entrepreneurial “new venture” or other organizational structures

1.2. Serendipitous versus Strategic Innovation

Many organizations rely on serendipitous acts of creativity to foster innovation. Others take an ad hoc, unstructured approach, which often results in only incremental improvements with poor implementation that can lack sponsorship.

Strategic Innovation is a holistic, systematic approach focused on generating beyond-incremental, breakthrough or discontinuous innovations. Innovation becomes “strategic” when it is an intentional, repeatable process that creates a

significant difference in the value delivered to consumers, customers, partners and the corporation. A Strategic Innovation initiative generates a portfolio of breakthrough business growth opportunities using a disciplined yet creative process.



2. The Seven Dimensions of Strategic Innovation

The Strategic Innovation framework weaves together seven dimensions to produce a portfolio of outcomes that drive growth. These dimensions are:

- **A Managed Innovation Process** – Combining Non-Traditional and Traditional Approaches to Business Strategy
- **Strategic Alignment** – Building Support
- **Industry Foresight** – Understanding Emerging Trends
- **Consumer/Customer Insight** – Understanding Articulated and Unarticulated Needs
- **Core Technologies and Competencies** – Leveraging and Extending Corporate Assets
- **Organizational Readiness** – The Ability to Take Action
- **Disciplined Implementation** – Managing the Path From Inspiration To Business Impact

A **Managed Innovation Process** lies at the creative core of the approach. By facilitating the interplay between external perspectives and an organization's internal capabilities/practices – and by looking beyond the obvious – it is possible to inspire the corporate imagination to explore a diverse array of new possibilities.

A Framework for Strategic Innovation

The process is designed and managed to create **Strategic Alignment** – the enthusiastic internal support among key stakeholders required to galvanize an organization around shared visions, goals and actions.

Industry Foresight provides a “top-down” perspective that seeks to understand the complex forces driving change, including emerging and converging trends, new technologies, competitive dynamics, potential dislocations and alternative scenarios.

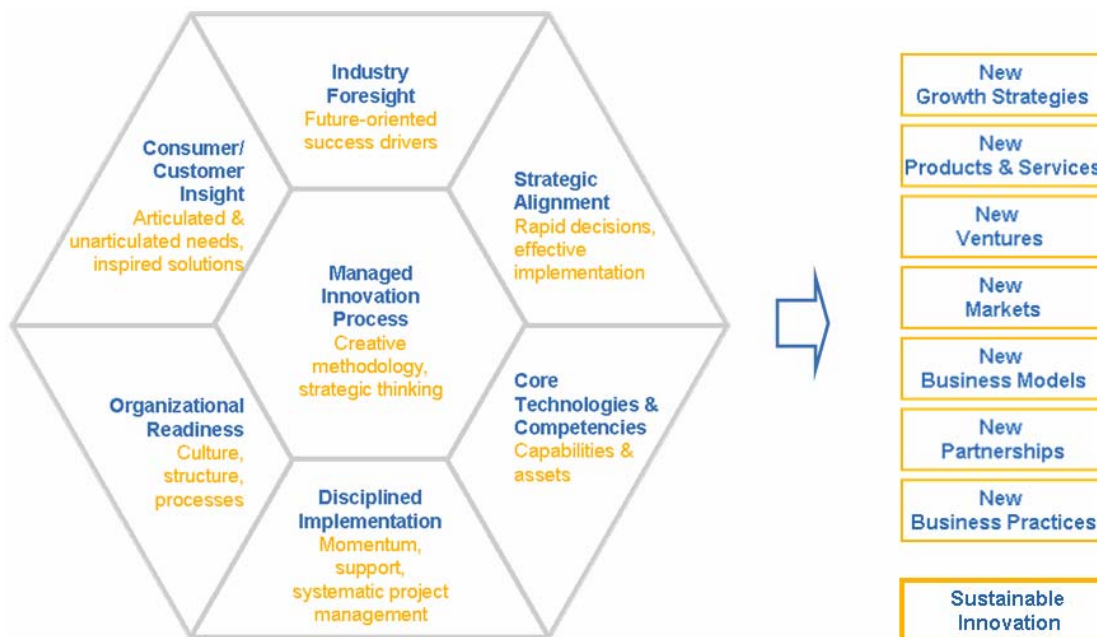
Consumer/Customer Insight provides a “bottom-up” perspective, a deep understanding of both the articulated (explicitly stated) and unarticulated (latent or unrecognized) needs of existing and potential consumers/customers.

Core Technologies and Competencies is the set of internal capabilities, organizational competencies and assets that could potentially be leveraged to deliver value to customers, including technologies, intellectual property, brand equity and strategic relationships.

A company’s **Organizational Readiness** may drive or inhibit its ability to act upon and implement new ideas and strategies, and to successfully manage the operational, political, cultural and financial demands that will follow.

Lastly, success will be enabled or limited by an organization’s capacity for effective, **Disciplined Implementation**.

An organization moves beyond an ad hoc approach to innovation when it begins to develop and institutionalize a cultural mindset and a set of processes that support repeatable, **Sustainable Innovation**. This then becomes a foundation for ongoing competitive advantage. Visually, the Strategic Innovation framework is described as follows:



2.1. A Managed Innovation Process – Combining Non-Traditional and Traditional Approaches to Business Strategy

The Managed Innovation Process covers the sequence of activities from the beginning of an initiative through implementation. It goes far beyond conducting a simple brainstorming session.

The process combines both unconventional and traditional elements. It includes the usual consumer, market trend and competitive analyses, but quickly looks beyond them. As an inspirational catalyst for breakthrough growth, it is maverick and entrepreneurial, rooted in a provocative, “all-things-possible” perspective that demands radical rethinking, challenges the status quo and calls for both left and right brain thinking from an organization’s key stakeholders.

As a team-based framework the approach includes facilitated workshop sessions: part information exchange, part exploration, part mediation, part creative invention and part improv theater. These sessions stimulate cross-functional teams to look beyond the obvious and to explore and speculate about future possibilities. The workshops intentionally juxtapose unlikely, contradictory perspectives which inspire new thinking and force a creative tension that stretches the mind to new levels of inventiveness. The resulting view of the future is then supplemented with the usual methodologies and analysis found in traditional futures planning.

2.1.1. Divergent and Convergent thinking

The innovation process is divided into two broad modes of thinking: “Divergent” and “Convergent”.

The “Divergent” mode lies at the heart of the Strategic Innovation approach. It is open-ended, exploratory, and inquisitive, deploying non-traditional, creative thinking and future visioning techniques. It includes “exploratory” consumer/customer insight research, qualitative exploration of industry/market trends, and speculates on possible industry discontinuities, etc.

“Creativity is about divergent thinking. Innovation is about convergent thinking.”

– Ikujiro Nonaka

It is here, with the notion of “Divergent thinking” that organizations often fail in their attempts to innovate. Believing that it is frivolous, “blue sky”, time consuming and slows time to market, they choose to minimize or neglect it.

Impatient for short-term success, driven by quarterly scorecards, or constrained by a corporate mindset that has to demonstrate activity and quickly “get to the answer”, many organizations find it hard to step back and diverge. This often results in predictable, uninspired, incremental innovations that clog the pipeline and take a great deal of time and resources to manage.

In reality they could have far greater impact had they taken the time to diverge at the outset, acknowledge their “blind spots” and explore potentially fruitful areas, and fill the pipeline with well-grounded, “bigger ideas” that offer greater potential.

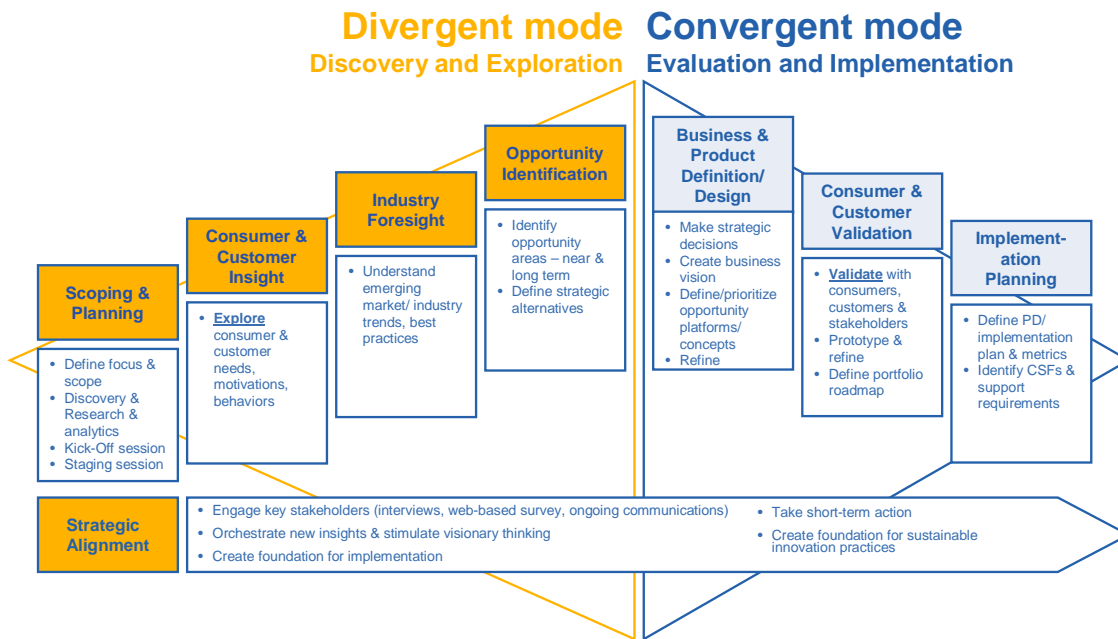
It is “Divergent” thinking, then, that opens the door to the possibility of identifying breakthroughs. Most companies have no difficulty generating ideas for new

products. During this “Divergent” mode it is important to explore other areas for innovation, such as new ways to work with external partners, communicate with consumers or enable faster time-to-market. This is true even if the effort is focused on new products, since these other factors directly impact the success or failure of the new product concepts.

Subsequently, through “Convergent” processes that call for traditional business tools, techniques and data analysis, potential opportunities are evaluated, prioritized, refined and then often moved through a formal decision-based Stage Gate™ process until the most promising ones are implemented. Throughout the entire process, a focus on short-term opportunities that leverage “low hanging fruit” is paired with the search for mid- and long-term breakthrough growth strategies.

While the elements of the process generally occur in a particular sequence there is not one single, rigid road map – the path is non-linear, modular and responsive to the needs of the moment. It is flexible and creative, providing the glue, the spark and the artistic magic that weaves together the dimensions of Strategic Innovation in real-time.

The elements of the Managed Innovation Process vary depending on the business challenge (growth strategy, product innovation, packaging innovation, etc.), but broadly speaking are as follows:



2.2. Strategic Alignment – Building Support

“Strategic Alignment” is the process of engaging the senior leadership team, a broad cross-section of the organization and key external stakeholders in the development of a shared vision and the path forward.

Innovation initiatives – like other types of change effort – often fail because the outcomes are "Not Invented Here", silver bullet solutions imposed by senior management, "pet ideas" pushed through by individuals with loud voices, seniority or political influence, or developed outside the organization in some sort of consultant think tank and handed down for implementation after a final presentation.

*"People Support
What They Help
Create."*

– Anonymous

Active cross-functional participation in the innovation process builds "Strategic Alignment" among key stakeholders both within an organization and among its key external stakeholders.

This kind of alignment galvanizes the organization, creates ownership, enthusiasm and commitment, accelerating funding decisions and building a strong foundation for successful implementation. Building alignment is more than just a way to ensure that key stakeholders are "intellectually on board and excited". It is critical for operational success, enabling cross-functional decisions and agreement on the tough issues around implementation activities such as competencies or assets that will need to be leveraged, resource allocation, roles and responsibilities or new ways in which departments will need to work together.

With that in mind it is essential to ensure that stakeholders are engaged in appropriate ways and with suitable frequency – not just invited to a brainstorming session as a courtesy or an afterthought.

2.2.1. Internal Alignment

There are several considerations when assembling the internal team that will drive an innovation initiative. First, it is important to select a cross-functional Core Team of visionary, energetic change agents and future leaders – inspired and inspiring individuals who want to make a difference. Second it is critical to choose a mix of seniority levels – typically from executive to middle management to lower level employees that are often closer to the consumer/customer. Third, a successful Core Team consists of four different categories: subject matter experts, decision makers, implementers and not least, "naïve" perspectives – maverick free-thinkers whose role is to challenge the team's incoming beliefs and assumptions. Fourth, the team will need a balanced combination of thinking and problem-solving styles – including mindsets suitable for exploratory thinking in ambiguous, speculative "front end" settings, as well as the more analytical mindsets required during implementation. Fifth, the team captain should consider including team members from different business units, geographies or sister companies. In addition to the Core Team, an Extended Team of internal opinion leaders, supporters and evangelists should be appointed to act as "functional ambassadors" to represent the interests of (and provide information to) their respective areas in advance of the implementation phase.

To ensure ongoing support, it is imperative to establish executive-level sponsorship ideally from more than one functional area.

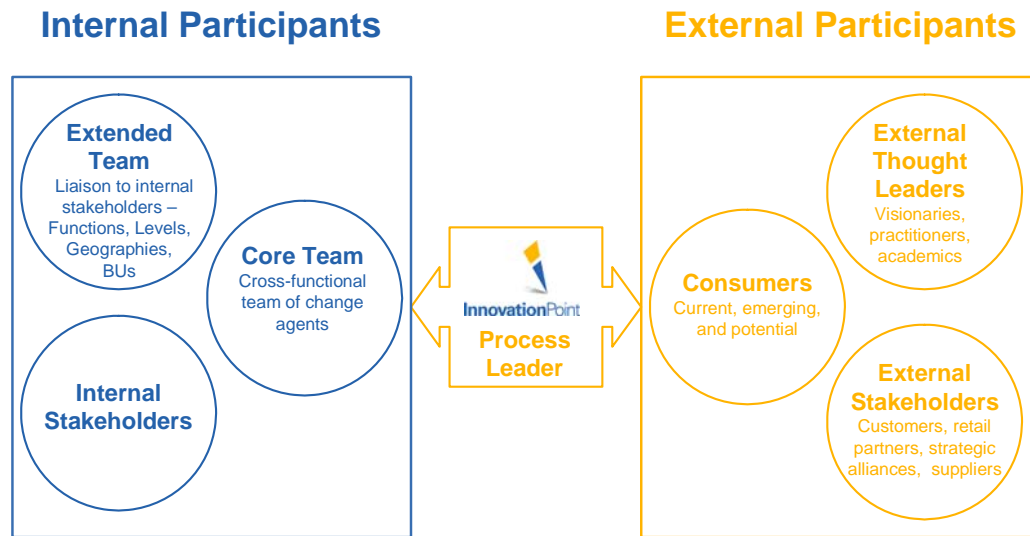
2.2.2. External Alignment

In some cases it may be important to build external alignment with – and to gather insights and ideas from -- partner organizations by formally making them part of the

co-creation process. This would call for building a Core or Extended Team that includes representatives from the organization’s supplier, channel, manufacturing or packaging partners or advertising or branding agency.

2.2.3. Participants in the Strategic Innovation process

In order to enable Industry Foresight, Customer Insight and Strategic Alignment, the Strategic Innovation process engages a broad range of participants and perspectives from within and outside the organization, as follows:



2.3. Industry Foresight – Understanding Emerging Trends

Surprisingly, many organizations have not developed a point of view on where their industry is heading, rarely looking beyond their own boundaries, too busy fighting today’s fires to take the time to truly understand what is driving their operating environment and how it might potentially evolve. While managers are busy managing, and executives are busy executing, nobody is busy “envisioning”. It is akin to sitting in a small sailboat unaware of the weather conditions and dangers that lie ahead.

“Industry Foresight” is a “top-down” approach that explores the drivers, trends, enablers and dislocations within one or more industries. The world of meteorology provides a compelling analogy. The ongoing monitoring of a complex, intertwined set of meteorological forces allows us to develop a viewpoint how they may collide to impact our world in terms of the weather. Similarly, visionary organizations establish a process for monitoring the complex interplay of key trends that may potentially impact their business. It is in looking at the forces of deregulation, industry convergence and emerging markets, and in exploring the intersections of social, demographic, technical, environmental, political, competitive and other trends that potential “white space” opportunities are revealed. Since today’s world is not linear, we cannot extrapolate the past to predict the future. Industry Foresight therefore goes beyond traditional

“I skate to where the puck is going to be, not where it has been.”
– Wayne Gretzky

market trend research by taking a speculative, “what if” perspective, seeking out – and in some cases even intentionally creating – industry disruptions.

Monitoring emerging trends enables an organization both to avert threats to the existing business and to identify potential market opportunities that may arise when industry trends converge. Forward-looking organizations have a curiosity and a thirst to engage with fresh perspectives from the outside. They actively seek out opportunities to stretch their thinking and to move beyond their own set of inbuilt experiences, beliefs and “blind spots”. This is central to the Strategic Innovation approach. When an organization looks beyond its own orthodoxies, technology capabilities, business boundaries and historical operating practices it dramatically raises its ability to identify platforms for breakthrough growth. For example, an organization is beginning to take a more future-oriented view of the world – and the possibilities it may offer – when it starts to bring emerging technologies onto its radar screen, rather than relying on the technologies it has used in the past. Similarly, it may be aware of several interesting external technologies but may not have done much to actively explore the possibilities of integrating them.

2.3.1. Looking beyond the obvious

The possibilities start to become interesting when an organization looks outside its historical business and starts thinking about “adjacent worlds”. For example, a food manufacturer with a strong retail channel infrastructure may move beyond its focus on “new products for existing segments and channels”, and start thinking about the world of schools or medical institutions. There are many kinds of adjacency moves, such as new categories, new geographies, new channels, new benefits and new products.

“A problem cannot be solved by the same consciousness that created it.”

– Albert Einstein

While it might be easy to dismiss ideas that are “too futuristic” the opportunities for long-term growth are compelling when an organization starts to think even more expansively and explore less obvious, “non-adjacent worlds”. For example, that same food manufacturer may think about blurring product categories or industry

boundaries by looking into opportunities at the intersections of aromatherapy, information technology, personal communications and consumer electronics, fashion, the arts, nanotechnology, the Hip Hop community or ways to apply emerging non-food technologies. Breakthroughs often come from making non-obvious connections that spark imaginative thinking. This is not to suggest that the food manufacturer move into the consumer electronics industry – yet it is entirely feasible to learn from analogies from that world, or to enter into unusual partnerships in a way that opens up new possibilities. Since competitors are probably not thinking in this way – and certainly not juxtaposing this same set of “worlds” – the resulting viewpoint is proprietary.

Organizations today have no tolerance for “blue sky” dreams that are not actionable. The key is to create a long-term vision for the future and to then pragmatically “bridge back to the present” by defining strategies and actions that enable the organization to start with the end in mind. Senior executives are much more willing to engage in visionary thinking when they are assured that it will be accompanied by tight descriptions of roles and responsibilities, project plans, milestones, metrics and business case analyses.

One compelling forum for radical exploration is a carefully orchestrated “Thought Leader Panel” in which an organization’s change agents and innovators are brought face-to-face with external industry “Thought Leaders” to explore, speculate and collaborate in a shirt-sleeves working environment.

This panel process brings together a team of forward-looking external provocateurs and experts – visionary experts in their respective fields – to introduce fresh perspectives and insights, challenge established thinking, and collaboratively explore potential growth opportunities, new businesses, new products/services, and innovative business models that may be revealed at the intersection of different worlds and emerging trends.

While the obvious approach is to manage this kind of forum as a traditional “panel discussion”, such an approach fails to deliver in several ways. One example is that it does not fully exploit the potential interactions between external participants. The spark of inspiration comes when different perspectives on the future are vociferously debated, and when a variety of non-traditional techniques help participants move beyond facts and speculate and visualize radical possibilities. Clearly, selecting and combining an imaginative and provocative set of perspectives is critical to success.

Through Industry Foresight, then, an organization can develop a compelling, proprietary view of the future, enabling it to then define a well-grounded and pragmatic participation strategy.

2.4. Consumer/Customer Insight – Understanding Articulated and Unarticulated Needs

Most organizations would like to see themselves as consumer-driven, and aspire to create products, services and solutions that are grounded in consumer needs. In reality organizations often have scant understanding of consumers’ deep-seated behaviors, perceptions and needs. Product-driven companies in particular could benefit greatly from taking a more consumer/customer-inspired approach, though this is often at odds with the organization’s cultural norms, especially if the technologists hold the power.

“Consumer/Customer Insight” is a qualitative, “bottom-up” approach that leverages insights into the behaviors, perceptions and needs of current and potential consumers/customers by involving them as true partners in the innovation process. It is a non-traditional, imaginative approach to research that seeks a deep understanding of needs and the drivers of behavior at a level well beyond what they consumers/customers are able to articulate themselves.

While it is important to include traditional consumer data in the innovation process, many organizations are uncomfortable experimenting with approaches they see as less black and white. Consumer/customer involvement in product development often consists of traditional focus groups, panels or web-based surveys, and frequently goes no further than soliciting customer response to

“Markets are conversations.”
– Clue No. 1,
Cluetrain Manifesto

“Markets consist of human beings, not demographic sectors.”
– Clue No. 2,
Cluetrain Manifesto

“There are two conversations going on. One inside the company. One with the market.”
– Clue No. 53,
Cluetrain Manifesto

internally-generated product concepts, or specific executions such as feature preferences, packaging or advertising directions.

While validating ideas with consumers is essential, limiting consumer interactions to feedback gathering is a missed opportunity. The Strategic Innovation approach uses conventional consumer forums (focus groups, interviews, panels, etc.) in far more imaginative ways. The goal of this “exploratory” consumer work is to spark fresh thinking about future possibilities that then translate into growth strategy and new product categories, etc. Experimenting with non-traditional techniques unfamiliar to industry competitors will help gain deeper insights and identify opportunities and concepts that have a greater degree of “emotional resonance” with consumers.

Equally, many consumer research programs are content with hearing what customers actually say, but do not explore the fertile ground of their unarticulated (latent) needs. The “Voice of the Consumer” has become a standard part of the toolkit of marketers and researchers across most industries, but working with the spoken word is obvious and relatively straightforward. Furthermore, since competitors are doing it too it provides little competitive edge.

The practice of ethnographic research is gaining ground – more rapidly in some industries than in others – but it has been slow to gain acceptance. If conducted poorly the output may be highly ambiguous and the implications may not be very clear. Despite the opportunity ethnographic research offers for breakthrough insights, many enterprises are reluctant to consider it as a viable approach.

Consumer/customer participation in corporate strategy development is practically unheard of. There is a tremendous opportunity in involving consumers/customers (and suppliers and other external stakeholders, etc.) as true partners in the innovation process by adopting a Consumer/customer Insight approach.

The approach is not limited to consumers/customers, but can be extended to glean insights from many other types of stakeholders – examples include: channel partners, suppliers, employees, investors, early adopter non-users, etc.

2.5. Core Technologies and Competencies – Leveraging and Extending Corporate Assets

A solid understanding of a company’s core technologies and competencies provides a pragmatic filter against which imaginative ideas can be assessed and shaped into practical investment-worthy opportunities. Even when an organization possesses deep insight into consumer/customer needs and future trends, transforming ideas into action is an uphill battle unless there is a keen sense of the organization’s inherent strengths and ability to leverage its core assets.

It is essential to not just consider an organization's technologies but also other capabilities that are integral to success. Such competencies may include intellectual property or patents, unique relationships with suppliers and partners, brand equity, speed and operational agility or unique business practices. In large organizations with multiple business units one group may have developed its own operational processes and have valuable competencies and best practices to share with other parts of the enterprise.

In order to be viable, therefore, any innovations must possess a tight link to core competencies. This does not only mean technologies and competencies the organization possesses today. It would be shortsighted to ignore the significant opportunities that could be pursued by partnering, outsourcing or acquiring new technologies and competencies. Many organizations inadvertently limit their growth options by trying to be self-sufficient or by not being open to expanding their stable of established external partners.

2.6. Organizational Readiness – Assessing The Ability to Take Action

There is a time for inspired dreaming and high-minded vision development and opportunity identification (during “Divergent” thinking) and a time for down-to-earth pragmatism (during “Convergent thinking”). It is critical to draw upon each mindset at the appropriate time.

During the pragmatic (“Convergent”) stage it is essential to have a clear understanding of a company’s “Organizational Readiness” – its ability to act upon and implement innovative ideas and strategies, and to successfully come to grips with the operational, political, cultural and financial demands that will follow. Even with the most inspired vision and innovative products an organization may simply not be in a position to effectively implement. The approach therefore calls for an assessment of "Organizational Readiness" along three dimensions:

“Everyone wants to grow; most people are just unwilling to change in order to do so.”

– Anonymous

- **Cultural readiness.** This refers to the mindset and norms that allow individuals and teams to think imaginatively, to take prudent risks, and to seek out, create and introduce innovative solutions. It includes such factors as: senior leadership’s operating styles and directives (both spoken and unspoken), long- versus short-term focus, employee profiles and thinking styles, corporate values (especially on the role of innovation), mental models about business boundaries and “the way we do things, here”, bias for collaboration, decision-making styles, bureaucracy levels, internal power struggles, political agendas, willingness to embrace change and penchant for action.
- **Process readiness.** This refers to the general business processes and practices that enable functional groups to operate effectively and collaborate toward a common goal – as well as a robust set of methodologies and tools specifically designed to drive innovation.
- **Structural readiness.** This refers to the organizational structures and technologies that support innovation as well as levels of flexibility to assign available and qualified staff to high-priority projects – without question one of the leading barriers to implementation.

“The real difficulty in changing the course of any enterprise lies not in developing new ideas, but in escaping old ones.”

– John Maynard Keynes

Understanding an organization’s readiness to act informs initial decisions about project scoping, time horizons and the desired level of breakthrough, sets

expectations about how to effectively work with the Core Team and other stakeholders, and enables a realistic approach to implementation.

2.7. Disciplined Implementation – Managing the Path From Inspiration To Business Impact

While it is not easy to produce creative, visionary strategic thinking, it is equally challenging to successfully implement that thinking in a way that creates meaningful business results. For example, generating new product ideas is not necessarily that hard. It is in the act of execution – where the rubber meets the road – that innovation efforts frequently fail. It is here that an organization must demonstrate its ability to translate a Power Point presentation full of good ideas to the bottom line, by tenaciously negotiating the obstacle-ridden path to business impact.

In the context of Strategic Innovation, the term “implementation” includes a broad set of activities that call for support and involvement across the organization. These may include: transition to specific projects or programs; technical product development and design; developing a distinctive value proposition through consumer-based rapid prototyping and testing; brand development; building a business case; effectively communicating internally to gain broader organizational buy-in; developing marketing and channel strategies; defining evaluation criteria and success metrics appropriate for a new venture (avoiding overreliance on traditional financial metrics), developing new business processes or creating new organizational structures; hiring and training; and establishing feedback loops for continuous improvement to the innovation process.

“Genius is one percent inspiration and ninety nine percent perspiration.”

– Thomas Edison

The work of Strategic Innovation often has profound implications in terms of operational, structural and business process change. For example, a relatively straightforward new product development effort may not be as clear cut as it would seem, since it may raise larger, systemic issues and call for the development of support strategies that will enable these new products to make their way through the commercialization process (such as brand strategy review, channel rationalization, etc.). In some cases an innovation effort may call for the creation of a new “business-within-a-business” (e.g., an entrepreneurial, new venture-type structure that stands apart from the principal business).

When an organization has put the finishing touches to its roster of innovative ideas – for potential new products, growth strategies, new “white space” opportunities to pursue, new markets to enter, new programs to launch or new business processes to create – it finds itself now at the critical transition point from “idea generation” or “strategy development” to “project management”. This is where the innovation process transitions from ambiguous and exploratory to concrete and operational.

2.7.1. Key considerations for implementing Strategic Innovation initiatives

Key considerations for implementing Strategic Innovation initiatives are: implementation skillsets and mindsets, maintaining momentum, a formal project management approach, an understanding of organizational priorities and decision making processes, and a practical Stage Gate™ process.

2.7.1.1. Implementation skillsets and mindsets

Different individual skillsets and mindsets are needed at different stages of the Strategic Innovation process. While many of the early team members will play a role throughout an initiative, additional individuals will join the team as the process unfolds. The task of “Disciplined Implementation” calls for pragmatic operational skills, exemplified in individuals who are adept at working closely with others to tenaciously get the job done, and who have the energy, tenacity, persuasion and communications skills, political savvy, personal relationships and credibility to overcome organizational roadblocks.

2.7.1.2. Maintaining momentum

At the end of the “Divergent” phase there is a significant risk of the effort grinding to a halt. There are numerous causes: organizational inertia, higher priorities, political agendas and competing demands for personnel or financial resources. There are several strategies for maintaining momentum, which include: building Strategic Alignment throughout the earlier stages; leveraging the organization’s implementation-related Best Practices; demonstrating early successes; maintaining internal visibility through a well-executed communications strategy that keeps senior management and key stakeholders committed; candidly stating the critical success factors and requirements to support the effort and obtaining senior management’s early commitment to meeting them.

2.7.1.3. A formal project management approach

At the end of the “Divergent” phase the Strategic Innovation effort changes from being a single thread of activity and takes the form of multiple concurrent “daughter” projects. These need to be tightly managed by paying attention to established Project Management practices, including: realistic expectations in timing and performance goals; appropriate resource allocation – staffing, budgets and access to information consistent with the scope of the desired business impact; and accountability, progress measurement and status reporting, both before and during the pilot/roll-out phases and throughout the in-market activities.

The area of human resource allocation in particular is where implementation efforts often fail, with staff expected to fulfill their regular “day job” responsibilities while also being asked to contribute to a strategic effort. The challenge raises organizational issues such the need for redesigned personal performance measurement programs and associated rewards/ incentives.

2.7.1.4. An understanding of organizational priorities and decision making processes

It is essential to be aware of the way an organization prioritizes, approves and continues to support initiatives. Any initiative is potentially at risk as market conditions change, if newly identified opportunities trigger a shift in priorities, if budget or other constraints suddenly come to the forefront, or if the decision making

process lacks rigor. With much at stake it is clearly important to find ways to proactively reduce these risks.

2.7.1.5. A practical Stage Gate™ process

A sound end-to-end innovation initiative is typically comprised of an exploratory, “fuzzy front end” process followed by some kind of Stage Gate™ process. It is important to recognize the different roles of these two distinct processes.

A major purpose of the front end process is to identify good, well-grounded business opportunities and ideas – ranging from incremental to breakthrough. The front-end process can be applied to identifying a wide spectrum of opportunities including products and services, new ventures, business models, partnerships and operational practices. Its other purposes are to build alignment and create momentum around opportunities, to narrow the funnel of possibilities and to define the strategic roadmap and high-level implementation plan.

By contrast, the Stage Gate™ process traditionally focuses only on new products. It comes into play once new product concepts have been identified, and provides an operational roadmap for driving new product projects from idea/concept to launch, with a focus on improving decision-making and efficiency. To derive the greatest benefit from a Stage Gate™ process it is critical to ensure that the front end process has been divergent enough to deliver high quality ideas, ideally grounded in well-conceived platforms.

Stage Gate™ processes have brought much-needed rigor to the concept evaluation phase, particularly to organizations that previously lacked discipline around go/no go decisions and implementation. However, these processes are not without significant limitations, frequently because of human factors, inflexibility around decision points and insufficient management involvement. Instituting and applying a Stage Gate™ process without a critical eye can create significant issues.

3. Sustainable Innovation – Building a Foundation for Ongoing Competitive Advantage

An organization cannot count on building a secure future in the myopic belief that what has worked in the past will continue to work in a rapidly changing and increasingly uncertain world. It would be foolish to rely on “innovation by accidental good fortune or occasional inspiration”. Equally, it makes no sense to “call in the creativity consultants” once a year for a fire drill when someone in the organization feels it is time for “another round of innovation”. These approaches are neither pragmatic nor sustainable.

“Today’s successful business leaders will be those who are most flexible of mind. They will have the ability to embrace new ideas and routinely challenge old ones. They will be alert to learning from others and quickly adapt from the best.”

– Tom Peters

To succeed in the long term, it is necessary to move beyond an ad hoc or unstructured approach to innovation. An organization will need to intentionally and deliberately foster an innovation-biased culture and develop and institute appropriate innovation processes, methodologies and supporting technologies. This may include the development of a collaboration-based knowledge management infrastructure – an “Innovation Community of Practice” that supports

the sharing of innovation best practices, consumer and market research and potential opportunity platforms, and facilitates imaginative thinking across the organization.

This “learning focus” will result in deep-seated change throughout the organization. It will take a significant time commitment, will require impassioned internal champions, and must be supported at the top and throughout the organization, both in theory and in day-to-day practice. It will be necessary to continuously monitor, improve and evangelize these efforts. There will be a need to regularly communicate the labors, the trials, the failures and the fruits. Though it may seem a daunting task the rewards of sustainable Strategic Innovation are great.

The future belongs to those organizations that passionately embrace an innovation mindset as embodied daily in the hearts and minds and actions of its change agents and future leaders.

3.1. The Path to Strategic Innovation

Many organizations want to “become more innovative” but don’t know where to start. While an obvious first thought is to introduce “creativity training”, the effects are usually short-lived. Return on investment is almost impossible to measure and there is little impact on the broad corporate consciousness. Frequently, an organization’s internal structures, policies and culture inhibit innovation. Most organizations are already implementing at least some dimensions of the Strategic Innovation approach, though often in an ad hoc manner without an overarching framework. So how can an organization advance its current innovation practices and move farther along the path toward sustainable, Strategic Innovation?

3.2. Innovation Assessment and Benchmarking

The starting point is to conduct focused Innovation Assessment and Benchmarking activities. This process has four-steps: an internal innovation diagnostic that looks at the organization and assesses the current state along several dimensions; external benchmarking (both inside and outside your industry); development and adaptation that defines new practices suitable for your organization; institutionalization – shepherding new practices into operation and continuously improving them.

An Innovation Diagnostic provides a baseline that describes existing “Innovation Competencies and Change Readiness” – an organization’s ability to effectively innovate and to embrace new practices. The process typically looks at three types of innovation capability:

- **Cultural** – Do the organization’s mindset and norms allow individuals and teams to think imaginatively, to take prudent risks, and to seek out, create and introduce innovative solutions?
- **Process** – Does the organization have the general business processes and practices that enable functional groups to operate effectively and collaborate toward a common goal – as well as a robust set of methodologies and tools specifically designed to drive innovation?

- **Structural** – Is the organization designed to allow smart, flexible decisions about human and financial resource allocation? Do supporting technologies help or get in the way? How easy is collaboration and communication across functional silos? Should the organization consider piloting different kinds of structures to support innovation? Examples of such structures include innovation project teams, expert networks, shared services organizations, innovation communities of practice, ambidextrous organizations and innovation councils.

3.3. End Note

Strategic Innovation is not an end-state. Rather, it is a journey of open-minded exploration, experimentation, thinking, decision-making, action, results and learning, with the cycle then repeating.

While there are numerous ways effectively to measure the business impact resulting from a Strategic Innovation initiative, an organization's ability to successfully innovate is less tangible, measured in terms of progress over time rather than in absolutes.

The journey of Strategic Innovation calls for learning by doing – if an organization approaches a business issue and adopts the framework as its set of guiding principles, the business impact will be evident and there will be an opportunity to incorporate the learning as the first step toward building a foundation for sustainable innovation.

“A journey of a thousand miles must begin with a single step.”

– Lao Tzu

4. Mini-diagnostic: Does your organization practice Strategic Innovation?

Is your organization set up to innovate strategically? The following brief assessment is not a substitute for an in-depth Innovation Diagnostic. However, it will provide a “gut feel” of how you rate your organization along several critical dimensions. More importantly, it may challenge your assumptions about what it takes to create the culture, processes and structures that support innovation, and inspire you to look at your organization with a more discerning eye.

Rate your organization on the following questions using these guidelines:

1=Strongly Disagree, 2=Disagree, 3=Agree, 4=Strongly Agree

	Score (1-4)
<p>1. Managed Innovation Process</p> <p>My organization’s approach to strategy, new product development and process improvement goes beyond traditional planning methods and take an externally-focused, exploratory approach that challenges the status quo and creatively inspires new thinking</p>	
<p>2. Strategic Alignment</p> <p>Our leadership supports (and actively drives) a collaborative culture that encourages different departments working cross-functionally to identify and develop innovative solutions</p>	
<p>3. Industry Foresight</p> <p>My organization has a systematic process for actively monitoring and exploring emerging trends and developing alternative scenarios that represent either threats or opportunities</p>	
<p>4. Consumer/Customer Insight</p> <p>My organization directly involves consumers/customers (both existing and potential) as an integral part of the innovation process as a means of identifying both articulated and <u>un</u>articulated customer needs</p>	

<p>5. Core Technologies and Competencies</p> <p>My organization clearly understands its core competencies and has explicitly outlined the linkage between its long-term strategic goals and its short- and medium-term R&D investments and technology strategies. My organization actively explores new ways to extend beyond our existing competencies</p>	
<p>6. Cultural Readiness</p> <p>My organization demonstrates an innovative mindset, a bias for collaboration, an inclusive, non-bureaucratic decision-making style, a willingness to embrace change, and a penchant for action</p>	
<p>7. Process and Structural Readiness</p> <p>My organization has (or demonstrates a mindset that is willing to develop) appropriate operational processes and functional structures and allocates adequate staffing, funding and management support to high priority innovation initiatives</p>	
<p>8. Disciplined Implementation</p> <p>My organization consistently demonstrates its ability to create measurable business impact by taking a disciplined approach to the implementation of strategic thinking</p>	
<p>9. Innovation Goals and Metrics</p> <p>My organization has established innovation-related goals and measures (for example: “X% of revenues must come from products/services introduced over the past Y years”)</p>	
<p>10. Capacity for Sustainable Innovation</p> <p>My organization takes the time to learn from its innovation efforts and is committed to deliberately building an innovation-based culture and instituting a set of innovation-focused methodologies</p>	
<p>Total score (maximum = 40)</p>	

Scoring Key

35-40: Strategic Innovator

Your organization understands the core elements of strategic innovation and is well positioned to remain a leading innovator. Strategic Innovation is inherent in your culture and you may be feeling confident about your current growth strategies.

What to do next? Ensure your organization continues to seek breakthrough opportunities “beyond the leading edge”, anticipates consumer/customer needs, cannibalizes its own products and services and drives industry standards. Continue to incorporate your learning and refine your processes for sustainable innovation.

29-34: Inspired Innovator

Your organization demonstrates some solid innovation practices but there are areas of weakness. Your “opportunity pipeline” may be relatively full, though you may be focusing on incremental innovations.

What to do next? Focus on the areas of weakness and begin to define a process for sustainable innovation. Assess the ratio of “big ideas” to “small ideas” to see if you have been looking broadly enough.

24-28: Aspiring Innovator

Sparks of innovation exist, though your results may be skewed toward incremental improvements rather than game-changing innovations. Equally, your approach may be ad hoc and unstructured.

What to do next? Take a systematic view of the core strategic, consumer/customer-focused and organizational factors necessary for Strategic Innovation and seek out “low hanging fruit” opportunities. Take the time to incorporate your learning and start to define a process for sustainable innovation. Assess the ratio of “big ideas” to “small ideas” to see if you have been looking broadly enough.

< 23: Challenged Innovator

While you may recognize that innovation is important, your organization’s culture, structures and processes do not support Strategic Innovation. Innovation is ad hoc and unstructured and your results may be uninspiring.

What to do next? Dedicate resources to a small-scale, focused innovation initiative with measurable deliverables. Take the time to incorporate your learning and start to define a process for sustainable innovation.

About InnovationPoint

'from inspiration to impact'

InnovationPoint helps Fortune 1000 and fast-track organizations drive profitable topline growth by taking a strategic approach to innovation. We help clients identify breakthrough opportunities; define innovative strategies and business models; create consumer-inspired products and services; pursue new segments, markets and ventures; and build partner and customer relationships. We help them look beyond the obvious paths to growth, collaborate across functional lines, agree on investment priorities and mobilize around common goals. We lead them from visionary inspiration at the 'fuzzy front end' of the innovation process through the development of implementation plans that drive long-, mid- and short-term business results. We help enterprises build a foundation for sustainable innovation by introducing process, organizational and cultural change.

Our contribution lies in our visionary yet pragmatic strategic thinking combined with an innovative framework that delivers along the path 'from inspiration to impact'.

Our proprietary methodology sets us apart – a refreshing blend of unconventional, creative approaches to business innovation and traditional consulting practices. By introducing provocative external perspectives and insights our radical approach stretches our clients' mental models and delivers pragmatic strategies for changing the game.

By engaging external industry 'Thought Leaders' we help our clients gain insight into nascent industry trends and emerging technologies, and blur the boundaries of current thinking so they can envision non-obvious opportunities and disruptive plays. Through our focus on Consumer-Inspired Innovation – non-traditional approaches to consumer and customer involvement – we reveal unarticulated needs that lead to breakthroughs. Concurrently, we create the organizational alignment, support and momentum required for accelerated decision-making and effective implementation.

Our expertise lies in helping teams identify and mobilize around breakthrough innovation opportunities. As a 'principals only' firm, the seasoned consultants who serve you bring line management and consulting experience at companies including Hewlett-Packard, Cambridge Management Consulting, 3M, Nestlé and Procter & Gamble.

Our clients include: Visa, PepsiCo, Frito-Lay, Kimberly-Clark, Dial Corporation, Charles Schwab, Levi Strauss, Philips, Hewlett-Packard, Microsoft, Yahoo! and SK Telecom.

Our services are focused on:

Strategic Innovation growth initiatives:

- White Space Opportunity Identification
- Growth Strategy & Roadmapping
- New Product, Services & Category Innovation
- New Market Entry Strategy
- New Venture Strategy Development
- Socially Responsible Innovation

Innovation capability-building:

- Innovation Diagnostics & Benchmarking
- Organizing for Sustainable Innovation
- Innovation Immersions & Training
- Advisory Board Creation & Management
- Innovation Council Creation & Management



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