

# Where Does Corporate Innovation Go from Here?

Twenty years into the corporate innovation epoch

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*Solutions for Your  
Innovation Journey*



Where does corporate innovation stand after 20 years of relatively intense focus? How successful have large corporations been at innovation? What have we learned over this period? What's likely to happen as other imperatives like digital transformation appear on the horizon? What skills and capabilities do large corporations possess now that they lacked earlier? What skills must they build in order to compete effectively?

In this article we'll make the case that now, more than ever, key innovation capabilities such as speed, foresight, a competent innovation process, a culture that embraces innovation and deep engagement with an innovation ecosystem are paramount to success.

## The First 20 Years

I date the beginning of the corporate innovation epoch to 1997, when Steve Jobs returned to Apple and began a rather dramatic turn around. It's hard to believe that in 1997 Apple was on the brink of bankruptcy. Its perilous condition allowed Jobs to take risks and introduce more creativity and design thinking than would have been possible otherwise. Another major milestone that occurred in 1997 was Clayton Christensen's publication of *The Innovator's Dilemma*, which became extremely important and solidified the idea that larger corporations needed to focus more time and attention on innovation.

Since 1997, we've seen corporate interest in innovation increase dramatically. Today it is commonplace to see the word 'innovation' in press releases, product claims, annual reports and other corporate publications. While we may question how much innovation has taken place, over the last 20 years larger corporations paid more attention to innovation, hired more people to conduct innovation, and relied on a large ecosystem of partners, consultants and competitors to accomplish more innovation.

Innovators today face much different market and competitive conditions compared to those 20 years ago. Today innovators can build on a robust internet, ubiquitous connectivity, and the emergence of big data and a digital transformation that will create new opportunities.

It's reasonable to stop and consider the effect of innovation on corporate America, to question the results of the focus on innovation, and to consider what comes next. I think many management pundits are wondering if this is the beginning of the end for innovation, or, as Churchill said, the end of the beginning. When we consider the emergence of concepts like digital transformation, we must ask how these, and other factors will impact or change innovation.

We need to ask what we've learned about innovation over the last 20 years, what skills and capabilities corporations have gained, and what factors will rise in importance in the next few years. We need to start this analysis by understanding the current state of corporate innovation.

## Some Insights

Fortunately, we have plenty of insight into the current state of innovation in the U.S. and Europe. In early 2019 Deloitte's European operations published a [report on the status of innovation in Europe](#). Many of the findings are consistent with other reports on innovation in larger corporations in other geographies. And in February 2019 E&Y revealed the results of its [innovation survey of 500 executives](#) in the U.S.

The Deloitte report indicates that many large corporations find it difficult to innovate due to:

- Difficulty sensing and scanning emerging technology and trends
- Lack of technical skills (and of innovation skills)



- Cultural resistance to risk taking and fear of failure
- Lack of leadership
- Lack of funds
- Lack of time to develop new ideas

I don't list all the factors that Deloitte identified, just those that are most commonly mentioned when challenges to corporate innovation are reported and measured. This list isn't especially new. Many of these concerns existed in corporations 20 years ago as innovation was emerging as a key management theme. In other words, after at least one generation of management has appeared on and left the stage, many of the same constraints on innovation continue to exist.

The E&Y research notes that:

- 42 percent of executives believe budget constraints are the biggest barriers to innovation success
- Senior leadership involvement and engagement remains critical to innovation success
- While 79 percent of senior leaders believe their organizations tolerate failure, only 25 percent of entry level workers share that view

Many of the challenges that innovators faced 20 years ago remain as barriers to innovation success today. Let's consider some of those challenges and their root causes.

1. Difficulty sensing and scanning emerging trends and technologies. Few corporations understand the future, existing and emerging competitors, shifting customer expectations and new opportunities and threats that will result. And many haven't invested the time and energy needed to better understand the future. Instead they remain mired in myopic, day-to-day competition. When companies don't regularly scan for trends or try to understand what may occur by conducting scenario planning or foresighting work, they are surprised by what emerges. This inability to move quickly and decisively into new markets or segments constrains growth and allows competitors to claim a disproportionate share of profits and market share. As examples, Uber, Airbnb, Facebook, Amazon, Google and so many other new companies scaled very rapidly in the last 20 years and leveraged new business models. As the pace of change accelerates, these and other early movers are accruing exponential returns.

Using foresighting to gain better insight into the emerging future with enough time to act will allow companies to target emerging needs and opportunities with far greater success.

2. Cultural resistance to risk taking and fear of failure. If—after 20 years of constant repetition about the importance of innovation—your corporate culture is still resistant to innovation, then the messages simply aren't getting through. We know that corporate culture can be either the biggest barrier to innovation or one of the best accelerators. Yet the knowledge that culture is important for innovation success hasn't been translated into better innovation practice. Why? There are several reasons:
  - a. Culture is powerful yet intangible, and difficult to change quickly.
  - b. Managers and executives are concerned about distracting efficient operations with new or disruptive ideas that may cause the company to miss the next quarter's promised results.
  - c. Rewards and compensation are tied to short-term objectives.
  - d. There's not enough time, structure, funding or people to do interesting innovation well.



To innovate effectively, companies must focus on the cultural challenges that innovators face, which are usually a combination of poor communication, conflicts within compensation systems and poor planning and resource allocation for innovation.

3. Legacy investment and cannibalization. Too many large firms have too much invested in their existing products and services to risk much to introduce new products and services, except in adjacent markets. Introducing new, disruptive products that compete with existing profitable products is dangerous; at the same time, introducing new products and services in adjacent markets that the company does not know how to reach, or where it does not have much market share is also risky. Often it seems better to slowly improve existing products for existing markets rather than conduct any risky innovation work.

Rapidly growing entrants like Airbnb have no legacy investment to disrupt, so cannibalization is not a concern. Established companies with legacy investments must choose the adjacent markets they want to enter while anticipating and pre-empting attacks on their legacy investments. Innovation can assist in both opportunities.

4. Access to appropriate funds and resources. The E&Y research makes clear and the Deloitte research reinforces the point that even after 20 years of innovation focus, most organizations simply aren't providing enough funds or resources to conduct innovation effectively.

To gain the benefits of sustained innovation, corporations must improve the budgeting and funding processes for innovation and link innovation activities to key measures and metrics to demonstrate success.

5. Limited engagement in the innovation ecosystem. Far too often many companies have a bias for their own ideas and technologies and don't work across the innovation ecosystem with channel partners, government agencies, universities and others to find good ideas, technologies or channels that may accelerate good ideas to market more quickly. There is simply too little involvement and engagement in the ecosystem at a time when good ideas are ubiquitous, competitors are emerging more rapidly than ever, and new channels and business models are being created all the time.

Innovation is ubiquitous, and the number of potential partners and channels is always expanding. Going it alone limits your ability to innovate. The best innovators are deeply linked to a broad innovation ecosystem.

Innovation is important but it's fair to say that it hasn't fully delivered on its promise, for all the reasons described above. Executives are often rightly skeptical about the value of innovation. At the same time, we believe that with the right investments and focus innovation can become a core strategic capability. This will require new capabilities that address many of the challenges addressed above.

## Capabilities That Will Become More Important

As new management philosophies such as digital transformation emerge, as uncertainty in the market increases and as customer demands increase, innovation will become even more important to create new products, services and business models. It's important to consider the key capabilities and the shifts in focus that will be important in this next phase of corporate innovation.

Companies that hope to compete successfully in a much more rapid, uncertain market—where change is accelerating and new entrants are taking market share - must increase their ability to work with greater confidence, at higher speeds and with more insight across a larger ecosystem.

1. **Speed and agility.** Since technologies are emerging quickly and the pace of change is accelerating, speed is becoming a competitive differentiator. Digital transformation will create new insights at speeds we've never experienced before. As product life cycles shorten, agility and speed throughout the innovation journey are critical to innovation success. They are vital to spotting new opportunities or ideas, gaining insight into future customer needs, rapidly experimenting and testing new solutions and developing and launching a product to market. Increasing capacity or speed in only one portion or segment of the innovation journey is insufficient. The entire innovation and product/service development process must be rethought and made more competent.

You must define a proven innovation process that your teams recognize, understand, and are able to adopt rapidly. This means that your culture must adapt to faster cycle times, and become more comfortable working with less information, conducting rapid experimentation. Your teams must have access to funds and resources on a much more ad hoc basis, so that when an opportunity is identified teams can move quickly to take advantage instead of waiting for approvals and planning cycles.

2. **Strategic foresighting.** Trend spotting and scenario planning must be conducted consistently to gain better insight into an uncertain future. Understanding emerging opportunities and threats allows companies to act with greater speed and confidence. Interpreting future scenarios effectively allows companies to predict emerging needs and competitors, and place products and services into the market with optimal timing. It's not possible to act with more confidence and speed without constantly assessing potential future market conditions and opportunities.
3. **Ecosystem investment and development.** Innovation increasingly requires the involvement and engagement of external actors – channel partners, competitors, suppliers and other sources of ideas or technology. Developing important relationships in your innovation ecosystem before they are required, and negotiating how to interact with your partners, building channels and trust will simplify engagements, increase speed and increase your innovation options. An early investment in ecosystem relationship-building will grow your awareness of emerging ideas, shorten the cycle time to acquire ideas and may speed the commercialization of your new products and services.
4. **The ability to identify emerging viable technologies.** Whether the technology originates from your R&D team or from a university or a startup, your team must have the ability to find emerging technologies, evaluate them and determine their feasibility and market viability quickly and effectively. Technology landscaping and technology scouting skills will be at a premium. Companies that can identify emerging technologies or capabilities and adopt them more quickly and effectively than competitors will win more profits and share.
5. **A highly engaged, highly capable internal innovation process.** Your teams cannot act at speed without defined methods and processes. Just as cars can travel more quickly over defined highways rather than dirt roads, innovation activities can move more quickly when tools and methods are familiar, and workflow has been thoroughly defined. You must carefully design your innovation process and tools, train your innovation teams on these processes and constantly refresh the innovation processes to ensure teams can innovate at speed, and with confidence.



6. **A culture that embraces innovation and external ideas and technologies.** To move at speed, companies need to remove resistance to new ideas, regardless of their source. While clear methods, tools and workflow are valuable, a single individual or team who resists new ideas or rejects external ideas or technologies can slow or stop an innovation project singlehandedly. To accelerate innovation processes, you must have a parallel focus on shifting corporate culture to embrace innovation.

What should you focus on?

1. **Conduct an innovation assessment** to identify gaps or weaknesses in your front-end teams, processes that can be improved, and strengths to build on. Your innovation capacity will be limited by gaps or uncertainties in your innovation process, training, strategy, team structures or culture. Find the gaps and fix them to improve speed and confidence.
2. Build competency in **strategic foresighting**, trend spotting, scenario planning and your ability to interpret the results. Or find partners who can help you do this. Conduct regular foresighting activities to better understand the emerging market.
3. **Refine your innovation process** to accelerate ideas from initial opportunity identification or customer need to prototype and pilot, and on to new product or service development.
4. Improve the **innovation skills of your teams** and shift the culture to embrace innovation, internal and external ideas and technologies.
5. Identify and develop the relationships necessary to **build a viable innovation ecosystem**. Build the networks and relationships before they are required to ensure innovation competency and speed.
6. **Define the innovation structures** (teams and processes) that will support your innovation strategies. These could reflect an entirely internal innovation capability, a hybrid model or an entirely outsourced capability, but the teams, structures, budgets and governance must be clearly defined, and their responsibilities must be well understood.

## How Innovation Advisors Can Help

Innovation Advisors has extensive experience building and improving our clients' innovation capacity. With over 50 years of success in corporate innovation, we know how to define simple and effective innovation processes, build innovation teams, and lead innovation projects that span from incremental to disruptive, internal to "open."

Using our Compass assessment, we quickly identify which key innovation enablers or "pillars" - strategy, structure, resources, culture and competencies – our clients need to develop or improve. We have expertise in forecasting and foresighting which helps our clients understand the future and prepare for emerging needs and opportunities. Our team has been a key participant in the global innovation ecosystem since our founding in the late 1960s, so we know how to find the best collaborators or best ideas and technologies within the ecosystem.

Whether you outsource your innovation to us or work with us as your trusted collaborator, we offer configurable solutions built on best practices and aligned to your needs and goals. Our model is based on knowledge transfer, and we excel at training client teams in all innovation skills and methods.

To learn more contact RTI Innovation Advisors: <https://rtiinnovationadvisors.org>.