



Kingsley Institute
for Strategy and Innovation

White Paper

HOW TO START AN INNOVATION INITIATIVE

Eight Key Elements of Initial Innovation Programs that Lead to Engines for New High-potential Opportunities

Most companies have recognized that their ability to adapt to rapidly changing competitive environments is crucial for long term success. Being able to see trends, identify areas for growth and successfully execute until the opportunities contribute to revenue and profit is now a critical part of business operations. This is just another way to say that companies need to “innovate or die.” Unfortunately, regardless of your starting point, developing innovation capabilities that lead to results is never easy.

This whitepaper addresses the challenges that most companies experience when starting innovation initiatives and how start on the right track.

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The Innovation Immunity Challenge

When starting an innovation program, it's critical to start by understanding the dynamics of your current situation and ensure that any program can survive as you nudge your company into a more innovative culture. Before diving into how to identify your current environment, let's take a look generally at why corporations are naturally immune to new ideas (and new ideas are the start of innovation.)

Innovation immunity shouldn't be surprising. Every company survives and gains success by developing certain competencies; hiring people with specific skills, building well-known brands, and becoming experts on specific customers, markets and technology. Companies even apply lean thinking to every operation to be even more efficient and purposeful toward dominating the current environment.

This is all good – except when the organism senses an invader. Ideas (i.e. innovation) that challenge the status quo feel like an attack. Antibodies, in the form of people and systems, show up to ignore the invading idea, hoping it goes away. Executives or managers might verbally squash it with statements like, "That is not what we do." Or "We can't do that." Process hurdles might be placed in the invading idea's path with commands like, "Submit all ideas with a detailed analysis that include five years of cost and revenue projections." The company organism is naturally trying to survive by removing the risk of the attacking idea. This immune system builds up over time based on a variety of factors:

1. **Balance of power.** Potentially thousands of people in sales, marketing, R&D, operations, and upper management are all focused on near-term revenue and profits. They're motivated with objectives, salaries, bonuses and retirement plans based on maintaining the status quo... and the nature of innovation is that it upsets the status quo.
2. **Processes not tuned to innovate.** Most product development or lean improvement processes are great for managing incremental improvement projects, but are horrible

Ideas ≠ Innovation

While ideas are often the spark of innovation, the real problems start when the execution of an idea starts to compete for resources with other projects. Since the nature of innovation is uncertainty, it's often easier for executives to focus on short term (non-innovation) wins with lower risk. This causes most innovative ideas to languish in limbo until the opportunity just withers away due to timing, the loss of its champion or simple apathy.

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about managing innovation efforts. Given the attention required to address next generation products, sales targets and operations issues, new ideas get very little attention.

3. **Corporate competencies.** Every MBA student learns that a company must leverage its core competencies; from technical skills to customer relationships. It's hard to argue not to take advantage of your strengths, but the world is constantly changing. New ideas often require a company to build new competencies.
4. **Budgeting.** Every annual budgeting process starts with a discussion of last year's budget then moves on to create next year's budget. There is rarely a budget line item for "unforeseen opportunities."
5. **Other corporate constraints.** Besides the budget, there's a range of other constraints against innovation: revenue targets, corporate brands, and margin needs. Even strategic vision can limit the types of ideas that get heard.

All of these factors make it difficult for most companies to fight their own inertia. In a slow moving market that doesn't force change, idea immunity may take years or decades to affect success. However, in a fast moving, competitive market, idea immunity can have a dramatic impact in a short period of time. Look at Motorola – quickly impacted by their immunity to app-based smart phones. They were focused on the highly successful Razr product line when true smart phones hit the market. The results were disastrous and forced them to sell their mobile phone unit to Google.

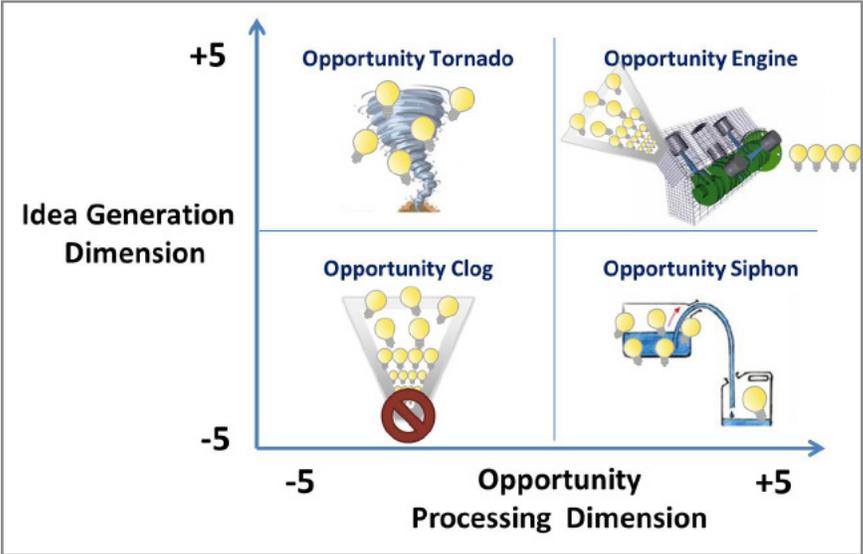
Understanding Your Current Environment

To determine how you might approach kicking off an innovation program, it helps to understand how specific environments manage (or mismanage) the transition of ideas into real opportunities. I call this specific sub-culture of innovation a company's Opportunity Environment. From my experience working with dozens of companies and speaking with 1000's of product leaders, there are four categories of environments based on two dimensions:

- 1. **Idea Generation Dimension**
- 2. **Opportunity Processing Dimension**

The idea generation dimension is the spectrum of how well a company captures and generates ideas. It includes the quantity, and more importantly, the quality of ideas.

The opportunity processing dimension is the spectrum of how well a company manages and processes the number of ideas they have identified. The figure shows how these two dimensions create four types of opportunity environments. See if you can identify your own opportunity environment from the following descriptions.



(For a deeper discussion on opportunity environments including examples, read *The Savvy Corporate Innovator*. Link information is at the bottom of this paper.)

THE OPPORTUNITY CLOG

This environment is low on both the idea generation dimension and the opportunity processing dimension. Few innovative ideas get generated. Those that do often don't make it through to execution. Companies that have opportunity clog environments have dedicated processes for reaching financial goals and improving operations, but not for encouraging innovation. You'll see things like suggestion boxes, but these are used mostly as filters so the CEOs are not inundated with a lot of ideas they really don't want to hear. The clog tries to stay

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profitable with as little risk as possible.

THE OPPORTUNITY SIPHON

This environment is high on the opportunity processing dimension, but low on the idea generation dimension. These companies may have a range of business processes in place such as Six Sigma, 'stage-gate' development, Balanced Scorecard and others. It's very difficult for them to manage the uncertainty of new ideas. Why? Because opportunity siphons look for perfect ideas with a clear ROI and little risk. Senior management recognizes the need for innovation and may even hold campaigns that lead to ideas. However, when real resource decisions are made, the lowest risk options are selected, leaving most ideas on the floor. Siphons wait until the pressure builds from competitors or key customers before they "siphon" off the top opportunities and actually execute.

THE OPPORTUNITY TORNADO

Companies that have an opportunity tornado environment love a good idea. You can hear the halls ring with, "That's great! Let's do it!" They're high on the idea generation dimension, but low on the opportunity processing dimension. Tornadoes seem chaotic with many innovators from all areas of the company (some without any formal authority or budget) trying to move ideas forward. They almost always have documented product development processes in place, but no clear ways to filter, prioritize or kill new opportunities that haven't already entered the pipeline. Since there's no rule book to follow, people end up making their own rules.

THE OPPORTUNITY ENGINE

This is the final environment and place most companies desire. They are high on both the idea generation dimension and the opportunity processing dimension. They might have numerous process experts running around, but not necessarily. Engines strike a balance between calculating risks and managing long-term

What is Google?

Which opportunity environment would you consider Google to be? Most would say an opportunity engine, but I believe it's a tornado. It has numerous innovation projects, but how many will drive the success of the company? Only time will tell, but I speculate that if Google's core advertising products start to decline, it will be forced to become an engine and implement more rigorous idea screening for its stockholders. It's OK to be a tornado when you have billions of dollars in the bank, but most companies don't have this luxury.



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emerging opportunities with near-term operations challenges. They have a range of ideas brewing at different stages lead by trained, savvy innovators, who are usually leading or working in small teams. Opportunity engines regularly review progress for the best ideas, determine how to best move the opportunity forward, and are not afraid to kill ideas based on solid market and customer data.

THESE ARE NOT MEANT TO BE JUDGEMENTAL

There is not right or wrong environment. These environments evolve based on a company's needs. However, if you're considering implementing an innovation program, there is a good chance you are Clog or Siphon environment and you're trying to change to be more like an Opportunity Engine. If you're a Clog, this is going to be more difficult than if you're starting place is a Siphon or a Tornado. And if you're an Engine, you're probably not reading this paper.

Now that I've shared some of the challenges you'll need to overcome when initiating an innovation program, let's dive into the specifics.

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Companies with successful innovation systems create a culture of learning, fast failure and managing complexity. Smart opportunities advance quickly while lesser opportunities are encouraged to leave the system. The people responsible for innovation are skilled at managing projects and helping opportunities transition to become respected contributors to the financial operations of the company.

The key to a successful start is to avoid attempting to implement everything at once or only focus on one element of innovation at the expense of others. For example, one company I worked with tried to get started by only training the team on creative thinking skills. This was nice, and gave the team a range of tools for generating ideas, but they were then left frustrated since other elements were not in place to move the ideas forward.

To get started, you should scale each element of innovation based on your situation. By taking a balanced approach with key elements, you can then build on this foundation as you gain experience. Here are the eight elements and related actions necessary to initiate an innovation program.

INTRODUCTION

1. Develop Simple Goals - This sounds obvious, but 'innovation' is nebulous and means different things to different people. Setting goals that everyone agrees to allows you to focus on the activities that will achieve them. Some simple innovation goals to get started might include:

- Generate and listen to at least three new opportunities per month
- Have a minimum of four innovation projects active at any time
- Hold consistent monthly innovation review and progress meetings

Part of these goals might include defining the types of opportunities you're looking for such as; new product ideas, major enhancements, process improvements, etc. These goals and definitions can get more sophisticated and more quantitative as you learn.

2. Create a Budget - Nothing in business happens without resources. A specific budget should be established for research, prototypes, outside services, etc. There is no metric for this number, but a small company might allocate just a few thousand dollars to get started while a large company may start with several million. One company I worked with started with a \$5 million innovation budget. Nice. Your initial innovation budget should

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be related to your goals, but should not be focused on specific financial results. Adjust as you learn.

3. **Identify an Executive Champion** - Innovation takes decision-making and political horsepower. This means an executive champion that has clout and the authority to spend the budget without a lot of red tape. Many companies are tempted to make the CEO the initial innovation champion, but they are often too busy to be engaged. Whoever you choose, they must have a cross-functional mindset since innovation is a company-wide initiative. Good candidates are COO's or heads of product management or even finance executives (assuming they can objectively listen to opportunities without demanding an ROI in six months.)
4. **Put a Forum in Place to Drive Progress and Decisions** - While one person (the Executive Champion) must be responsible for leading the effort, there needs to be an executive team in place to listen to opportunities, debate their fit for the company and provide resources. This also starts to build broad executive awareness and support for the overall innovation program as well as specific opportunities. This team usually includes an executive from each major function, but can be started with just a few, such as executives from finance, marketing and operations. What you don't want is a bloated team of 15 executives that just slow down discussions and progress. The team should meet at least monthly to hear proposals for new opportunities, remove obstacles for existing projects and make timely decisions.
5. **Identify Innovative Leaders and Small Teams** - This is the hard part of getting started and where many companies struggle. Who should you task to actually "innovate?" The obvious place to start looking for team members and leaders is in R&D and product management functions. There should be a few experienced people that you've already identified that can begin (or have probably already begun) to formulate innovate ideas and are ready to work on a team. However, don't leave out other functions. Seek out a few sales people, customer service or marketing folks that seem to be ready to step up and take on an innovation project.

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6. **Educate and Create Awareness** - To kick off the program, there should be a series of communications to clarify the goals and the types of opportunities and innovation you're seeking, explain how the executive team will meet and make decisions, as well as your expectations of the program. Depending on your team's level of expertise, you may also need to educate team leaders on how to develop opportunity proposals, how to manage innovation projects, or to fill any other gaps where they may struggle. When forming project teams, keep them simple to start - one technical and one market-oriented person is a great start.
7. **Seek Ideas and Start with a Few Investigations** - With the other elements in place, you're ready to get innovation efforts started. Most companies have a range of ideas for new products, technology or process improvements ready to go, but if you don't, part of your kickoff process might be an idea day (or hour) where you brainstorm ideas for projects. Another approach is to work with managers to announce to their team that you are initiating an innovation program and need ideas. This step also starts to cull out the innovative thinkers that can be put on innovation teams.
8. **Execute, Improve, Repeat** - The last element to put in place is to execute. This is where the real problems will emerge as team's start looking for support and funding. Such as ideas that once looked promising may look risky; the company's strategy all of sudden seems murky; and all kinds of unforeseen situations will arise as opinions fly. This is where the executive champion and decision-making forum must shine. Hard decisions must be made to fund one idea and kill another. And don't be surprised if all of the initial ideas are bad and you need to go back and ask for more.

In Conclusion

If you made it this far, and have put in the eight elements in place I just discussed, you now have the foundation of a world-class innovation system. Of course **your** success will be based on many factors such the quality of ideas generated, the skill of your team to execute, the complexities of your markets, and many more.

As you start working out the kinks in your new system, you may quickly determine that you need creative thinking skills to generate more innovative ideas. Or you may need to train leaders that can drive innovation projects. Or perhaps you need to look outside the company for technology needed to innovate in the way you desire.

Over time you can add tools and methods to fill in the gaps. Ideation tools, scorecards, innovation portfolios management, scenario analysis and dozens of other methods are used in the most innovative companies. But their effective application requires a basic framework that includes the eight elements discussed above. With this foundation in place, you will have a basis for identifying the problems limiting your success and you can then work to improve each element - one step at a time.

What Do YOU Think?

What do you think are the best steps to start an innovation program? We'd love to hear your thoughts.

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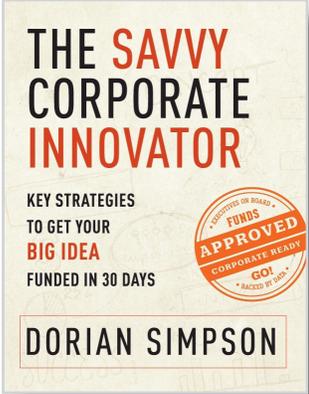
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ABOUT THE BOOK

Learn more about the concepts discussed in this paper and many more related to an innovator's success in corporate environments in, *The Savvy Corporate Innovator - Key Strategies to Get Big Ideas Funded in 30 Days*. Available in ebook and paperback on Amazon.com:

Click here: [The Savvy Corporate Innovator](#)



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The Kingsley Institute is a leader in product planning consulting and learning programs to help companies meet their innovation goals - faster and with greater success -- using targeted tools and techniques. Their services include highly rated programs in innovation leadership, product definition, market research, product strategy development, financial skills for product leaders and innovation process assessment.

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