A framework for
Strategic Innovation
Blending foresight, insight, strategy and creative exploration to drive breakthrough growth

Includes Mini-Diagnostic to assess if you innovate strategically

INOMER BUSINESS GROWTH

Paris - Silicon Valley - Eindhoven - Beijing - Moscow - Tel Aviv - Washington D.C.
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**INOMER** is an international consultancy specializing in business and economic growth through innovation. Our business growth services focus on the practice of **Strategic Innovation**. We have over 20 years of cross-industry experience working with global and Fortune 1000 organizations. Our economic growth practice is committed to build and nurture innovation ecosystems.

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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 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.

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 “blue sky” dreams. Instead, it spans a journey of inquiry and activity – from creative inspiration at the ambiguous “fuzzy front end” through the detailed requirements of successful implementation that lead to measurable 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 embraces ambiguity, looks externally at emerging trends and marketplace needs, and 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 summarized in the following table:

<table>
<thead>
<tr>
<th>Traditional approaches</th>
<th>Strategic Innovation approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopts a “present to future” orientation – takes today as the starting point</td>
<td>“Starts with the end in mind” – identifies long-term opportunities and then “bridges back to the present”</td>
</tr>
<tr>
<td>Assumes a rule-maker/taker (defensive/follower) posture</td>
<td>Assumes a rule-breaker (revolutionary) posture</td>
</tr>
<tr>
<td>Accepts established business boundaries/product categories</td>
<td>Seeks to create new competitive space/ playing fields</td>
</tr>
<tr>
<td>Focus on incremental innovation</td>
<td>Seeks breakthrough, disruptive innovation – while continuing to expand core businesses</td>
</tr>
<tr>
<td>Follows traditional, linear business planning models</td>
<td>Marries creative inspiration at the front end with process discipline at the back end</td>
</tr>
<tr>
<td>Seeks input from obvious, traditional sources</td>
<td>Seeks inspiration from unconventional sources</td>
</tr>
<tr>
<td>Is based on articulated consumer needs</td>
<td>Seeks unarticulated and emerging consumer needs</td>
</tr>
<tr>
<td>Is technology-driven (seek consumer satisfaction)</td>
<td>Is consumer-inspired (seeks consumer surprise and delight)</td>
</tr>
<tr>
<td>May have a “one-size-fits-all” organizational model</td>
<td>May experiment with entrepreneurial new venture, skunkworks or other organizational structures</td>
</tr>
</tbody>
</table>
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 that deliver mediocre results.

Strategic Innovation is a holistic, systematic approach focused on delivering beyond-incremental innovations. Innovation becomes “strategic” when it is an intentional, repeatable process that creates a significant, step-change difference in the value delivered to consumers, customers, partners and the corporation. A Strategic Innovation initiative generates a portfolio of 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 the following:

- **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.

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, actions and resource allocation.

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. It also seeks out emerging needs – not just the needs of today.

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 improve 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 imagination and 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.

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 solutions, services or business models, 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, potential opportunities move through through a series of “Convergent” processes in which they are prioritized against a set of criteria. Organizations often find this step especially challenging. The entire process delivers a prioritized portfolio of opportunities – from short-term (low hanging fruit) to mid-term (expanding the core and beyond) and longer-term (potentially disruptive) breakthroughs. The leading ideas are then often moved through a formal decision-based Stage Gate™ process until the most promising ones are implemented.

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, iterative, 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/service innovation, business model innovation, etc.), but broadly speaking are as follows:

“Creativity is about divergent thinking. Innovation is about convergent thinking.”
– Ikujiro Nonaka
2.2 Strategic Alignment – Building Support

“Strategic Alignment” is the process of engaging the senior leadership team, a cross-section of the organization and key external stakeholders in the development of a shared vision, specific opportunity identification, 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. By contrast, active cross-functional participation in the innovation process builds “Strategic Alignment” among key stakeholders both within the organization and among 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, stopping existing projects, roles and responsibilities or new ways in which various functions 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.

2.1.1 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 senior 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 1–2 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 at the beginning 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 this 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:

“People Support What They Help Create.”

– Anonymous
2.3 Industry Foresight – Understanding Emerging Trends

Surprisingly, many organizations do not seriously develop 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 evolve. While managers are busy managing, 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 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, technical 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 unfamiliar, 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.

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

When an organization looks beyond its own orthodoxies, technical capabilities, business boundaries and historical operating practices it dramatically raises its ability to identify platforms for breakthrough growth.
2.3.1 Looking beyond the obvious

The possibilities start to become interesting when an organization looks outside its historical, core business(es) 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 that will do well in existing segments and channels”, and start thinking about the potential new targets and channels such as schools or medical institutions. There are many kinds of adjacency moves, such as new categories, new geographies, new channels, new benefits and new products.

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, social media, 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 short-term projects that generate revenue (low hanging fruit). Internal sponsors are much more willing to engage in visionary thinking when they are assured that it will be accompanied by demonstrable short-term value, as well as tight descriptions of roles and responsibilities, project plans, milestones, metrics and business cases for the longer term.

One compelling forum for visionary exploration that “looks outside and ahead” 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 challenge, speculate and collaborate in a shirt-sleeves working environment.

This non-traditional panel process brings together a team of forward-looking external provocateurs and experts – visionaries in their respective fields – to introduce fresh perspectives and insights, challenge the organization’s 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 values, motivations, behaviors, perceptions and their emerging needs. Technology-driven companies in particular could benefit greatly from a ‘design thinking’ approach that thinks first about consumer/customer needs and second about enabling technologies.

“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 asking consumers/customers to validate internally-generated product concepts, or specific executions such as feature preferences, packaging or advertising directions.

While engaging consumers at the back end to validate ideas with is essential, limiting consumer interactions to this late stage in the process is a missed opportunity. The Strategic Innovation approach uses conventional consumer forums (focus groups, interviews, panels, etc.) –but in far more imaginative ways, and much earlier in the process. 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 less common ‘design thinking’ techniques such as ethnographic research, or deep motivational work will help gain stronger 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. If conducted poorly the output may be highly ambiguous and the implications may not be clear or actionable. Despite the opportunity ethnographic research offers for breakthrough insights, many enterprises are still 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 base 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:

- **Cultural readiness.** Some organizations have developed a “culture of innovation”, while most have not. This refers to the behaviors, mindsets 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 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.

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 thinking, it is equally challenging to successfully implement that thinking in a way that creates meaningful business results. Generating ideas is not difficult. 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 PowerPoint 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 ‘socialization’ activities to build involvement support and across the organization. These may include: engaging other stakeholder functions or businesses; transitioning to specific projects or programs; technical product development and design; developing a relevant value proposition through consumer-based rapid prototyping; building a business case; developing branding, 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 organizational structures required to support the opportunity; hiring and training; and establishing feedback loops for continuous improvement to the innovation process.

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 implementon-related Best Practices; demonstrating early successes through pilot efforts; maintaining internal visibility through a well-executed communications strategy that keeps senior management and key stakeholders informed and
committed; candidly stating the critical success factors and requirements to support the effort and obtaining senior management’s early commitment.

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 fulfil 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 reward systems.

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 new initiatives. Any initiative is potentially at risk as market conditions change, if new opportunities or threats 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 be aware of and 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

“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 define the strategic roadmap and high-level implementation plan.

By contrast, the Stage Gate™ process most often focuses on new products/services. It comes into play once new product/service concepts have been identified, and provides an operational roadmap for driving these projects from idea/concept to launch, with the intention of improving decision-making and efficiency. However, in many organizations the Stage Gate™ process is filled with mediocre ideas that create ‘busy work’ and make poor use of human resources. In short there are too many ideas, and not enough ‘big ideas.’ To derive the greatest benefit from a Stage Gate™ process it is critical to ensure that the front end process has been robust, strategic and 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 may have significant limitations, frequently because of human factors and inflexibility around decision points. Instituting and applying a Stage Gate™ process without a critical eye can actually 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.

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 a culture of innovation and to develop and institute appropriate processes, methodologies and supporting technologies. There are many ways to approach this including: executive education/leadership development; immersion visits to Silicon Valley; small- or large-scale innovation projects that take an ‘Action Learning’ approach; and 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 collaboration and 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

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<th>Score (1-4)</th>
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<tbody>
<tr>
<td>1. Managed Innovation Process</td>
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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 |
| 2. Strategic Alignment |
Our leadership supports (and actively drives) a collaborative culture that encourages different departments working cross-functionally to identify and develop innovative solutions |
| 3. Industry Foresight |
My organization has a systematic process for actively monitoring and exploring emerging trends and developing alternative scenarios that represent either threats or opportunities |
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<tr>
<th>4. Consumer/Customer Insight</th>
<th>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 unarticulated customer needs</th>
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<tr>
<td>5. Core Technologies and Competencies</td>
<td>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&amp;D investments and technology strategies. My organization actively explores new ways to extend beyond our existing competencies</td>
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<tr>
<td>6. Cultural Readiness</td>
<td>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</td>
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<td>7. Process and Structural Readiness</td>
<td>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</td>
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<tr>
<td>8. Disciplined Implementation</td>
<td>My organization consistently demonstrates its ability to create measurable business impact by taking a disciplined approach to the implementation of strategic thinking</td>
</tr>
<tr>
<td>9. Innovation Goals and Metrics</td>
<td>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”)</td>
</tr>
<tr>
<td>10. Capacity for Sustainable Innovation</td>
<td>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</td>
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Score total (maximum = 40)
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.