

Has your Innovation program run out of *Snake-Oil* ?

Effective innovation programs are not dependent on magic processes or snake oil additives. Instead, they depend on a few key principles and a lot of leadership commitment.



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Are your innovation programs bogus?

I'm not suggesting that running an innovation program in your business is a waste of time. Innovation is a viable pathway for creating difference and providing competitive advantage. Global studies¹ reveal that those firms that pursue business model innovation report higher operating margins than their competitors who don't.

But my experience, supported by the research², shows that many organisations are not satisfied with the results of their innovation programs. They complain that these programs don't deliver meaningful outcomes and don't impact on the way they do business. Moreover, the results of their employee engagement and feedback surveys suggest that staff are cynical and don't believe the innovation initiatives are genuine.

As a consequence, many executive teams pay lip service to innovation - the word "innovation" still features in their business plans and statements of corporate values. But it is not reflected in the way they establish priorities, allocate resources or organise their businesses.

Why the need for "real" innovation?

In addition to empirical evidence showing the benefits of innovation in competitive environments, there is another compelling argument in its favour. And this is related to the issue of complexity in our internal and external environments.

¹ IBM's Global CEO Report. Strategy and Leadership, 2006

² Adam Hartung, *Why the pursuit of Innovation usually fails*, Forbes, December 2009

As David Snowden³ points out in his seminal work on the nature of situations and problems, ***the relationship between CAUSE and EFFECT changes fundamentally as we move into increasingly complex situations.***

Snowden suggests that there is a clear relationship between cause and effect in simple and complicated situations. However, this relationship breaks down as we move into complex situations. In these situations, there is little point in trying to identify the “best” approach, simply because cause and effect are no longer closely related!

Experimentation is the only viable approach to use in these situations - ie the need to probe and try different things - and then learn from what happens. This is a powerful rationale for innovation - pursuing new and different ways of doing business.

What are the problems with Innovation programs?

One of the problems is the way that innovation programs are implemented in many organisations. Often, they subscribe to the so-called ***big-bang theory***, ie they are primarily focused on those initiatives that have the potential to significantly “move the dial” in performance. The embedded philosophy is to avoid minor projects and initiatives, and concentrate instead on those that have the highest impact on the business.

While this might make sense from an *80:20* perspective, evidence suggests that it is not the best way to organise innovation⁴. Your innovation program is better off having a portfolio of diverse experiments rather than one or two really big ones. It is the performance of the overall portfolio that counts, rather than the possible success of an individual project.

A portfolio of diverse experiments has a number of advantages over the pursuit of success in one larger initiative:

- it can address a range of issues across the organisational portfolio
- it can involve a wide range of staff as part of their ongoing work activities
- it enhances the effectiveness of a stage-gate evaluation process.

How to set up an effective Innovation program

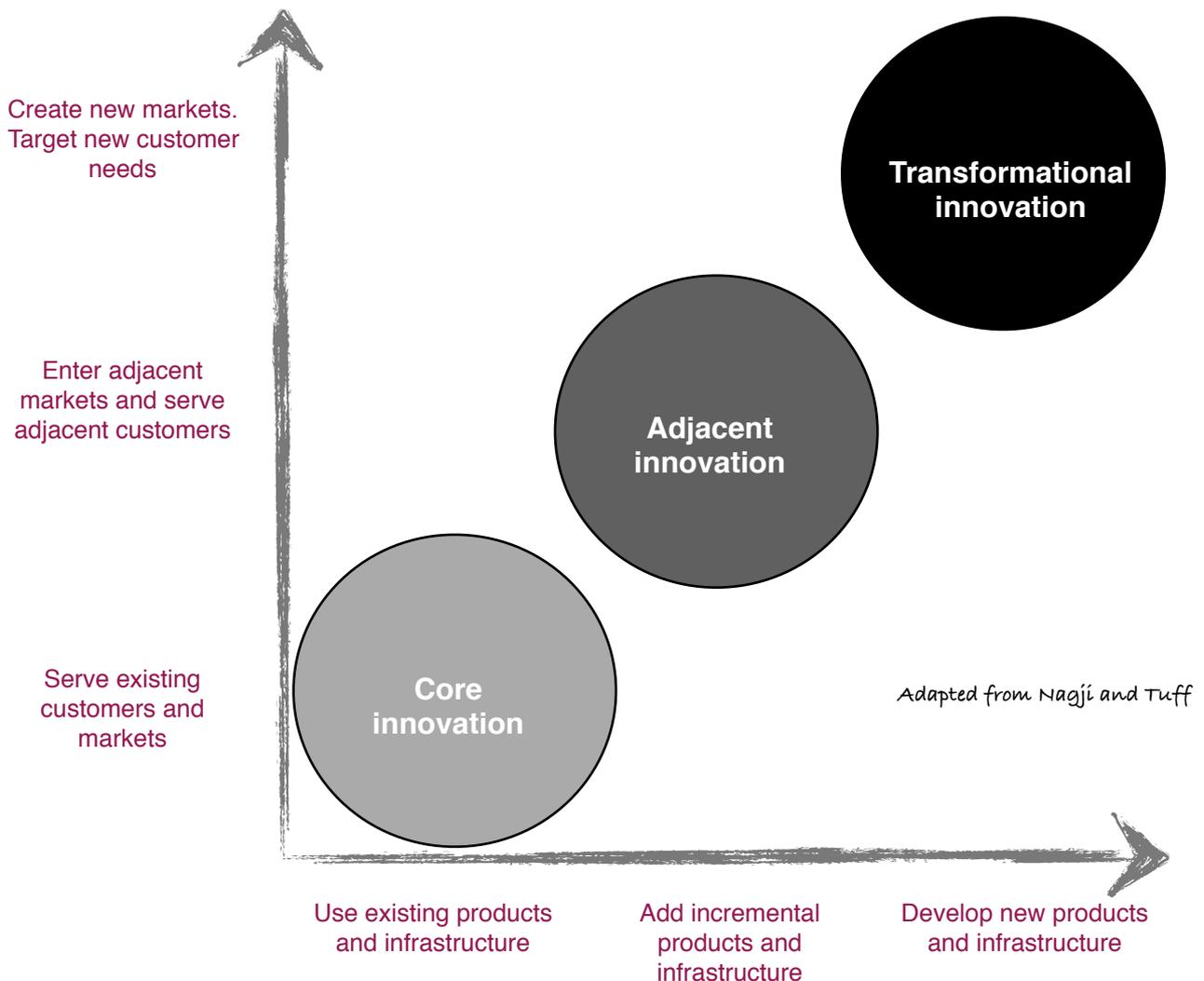
As I suggest above, one of the key elements of an effective innovation program is to abandon the big-bang theory. Instead of investing in a few “bet-the-business” projects, it is more effective to develop a portfolio of initiatives across a range of issues in the organisation.

Based on Baghai et al's⁵ schema of how growth occurs in organisations, it is possible to identify three distinct areas across the business where innovation can and should be applied.

³ David Snowden et al, *A leader's framework for decision making*, Harvard Business Review, Nov 2007

⁴ Gary Hamel, *The future of management*, Harvard Business School Press, 2007

⁵ Baghai et al, *The alchemy of growth*, Perseus Publishing, May 2000



Core innovation

This is a focus on improving the current products, services and processes of the business. Approaches such as continuous improvement and process re-engineering are common here.

Adjacent innovation

This is where we consider entering adjacent markets by making incremental adjustments and changes to our our core products/services and infrastructure. The key focus here is on customer value management and identifying (and addressing) unsolved customer problems.

Transformational innovation

This is the innovation directed at identifying and developing the “next big thing” for your business. There are new product ideas, radical changes to the business model, or even a whole new business - initiatives that create the business opportunities for the future.

An effective innovation program is likely to develop a portfolio of initiatives across all three areas of innovation - and then measure the effectiveness of the overall portfolio rather than focus solely on an individual initiative.

Benefits of setting up a portfolio of innovative experiments

Setting up your innovation program as a portfolio in this way produces three important benefits to the business:

1. It focuses innovation and creative effort across the whole organisation - dealing with both current and future aspects of your business. As such, it represents a more risk-managed approach to innovation than a large, “bet-the-business” program
2. It recognises that staff have differing capabilities in the innovation space. Some are likely to be more hand-on and practical - they are likely to be drawn towards issues such as process and product improvement. Others may have ideas and initiatives that can enable the organisation to enter new markets by way of incremental changes to the value propositions. And finally, there are those with visionary and entrepreneurial ability who have ideas about new and different business opportunities. A portfolio approach recognises all three types of innovation and enables more staff to make a meaningful contribution
3. Objective evaluation of a particular project is critical to ensure an optimal allocation of resources across the organisation. Large, “big-bang” projects are prone to emotional and ego-driven criteria because they are so high profile. Conversely, it is possible to use a more transparent and objective stage-gate type process when you are evaluating a series of different (and perhaps smaller) projects. Ultimately, this is likely to produce a more cost-effective and successful program of innovation.

Adding back the *Snake Oil* ?

There is no magic that can be added to innovation programs! Experts who promise miraculous improvements in innovation through some new packaged solution are simply peddling snake oil. Building an innovative culture is a deliberate and time-consuming exercise that requires leadership commitment and the setting up of a complete innovation ecology within the organisation.

An important part of this innovation ecology is to view innovation as a portfolio of experiments across a range of issues through the organisation, and to involve as many staff as possible.

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