POINTERS

TALENT, TRAINING & INCENTIVES: CREATING AN INNOVATION CULTURE

EXPERT GUIDANCE ON INNOVATION STRATEGY

Making new stuff happen in an established organization isn't easy. At Innovation Leader, to aid and abet that activity, we supply guidance, data, case studies, and concrete examples.

Some of our biggest allies in that mission are the strategic partner firms that regularly share their advice with Innovation Leader's members — at live events, in our website's Thought Leadership area, in our print magazine, and in this series of PDF publications.

For this edition, we asked our partners to share their best advice on attracting top talent; providing them with the right tools and training; and what it takes to build, over time, a more innovative corporate culture.

We encourage you to share this document with others who might find it useful.

What have you done that has worked well on the recruiting, training, and culture change fronts? I'd love to hear from you at the e-mail address below...

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Why Your Innovation Team Will Quit on You Three Years In

BY JENNIFER DUNN, **HYPE INNOVATION**

A lot can happen to an innovation program in three years. Some companies see their programs gain momentum and excel in that time. Other companies experience something different. According to former Volvo Trucks Innovation Manager Mike Hatrick, most organizations start to see their programs fail about three years in.

At the Front End of Innovation conference earlier this year, Dr. Gina O'Connor, Associate Dean for Academic Affairs in the Lally School of Management and Technology at Rensselaer Polytechnic Institute, shared her findings from a study of 129 people in innovation roles at major corporations. She found that out of those people, *just 49 percent stayed in the same position after three or more years.*

So why are people leaving and innovation programs failing three years in, and what can organizations do about it?

Strategic Innovation is Not a One-Person Show

The activities required for strategic innovation are so vast that no single person has the necessary skills to do it all. In their book, *Beyond the Champion: Institutionalizing Innovation through People*, O'Connor, along with her colleagues Andrew Corbett and Lois Peters, describe the competencies associated with each phase of innovation as outlined below:

If you look at the skills required to run an innovation program end to end, it's more than overwhelming. From my experience as an enterprise innovation consultant at HYPE Innovation, I can say that most companies tend to move people to an innovation role when they show one or more of the competencies listed in the box below.

However, they often don't consider whether those skills are best suited for the discovery, incubation, or acceleration phases—especially in the early stages of the program.

In the early stages of an innovation program, managers try to do it all. We see a need for defined roles that allow team members to take advantage of their innovative strengths—roles that provide autonomy with underpinning guidance for where they should invest their energies.

For example, people strong in evolving the opportunity tend to have little interest in articulating opportunities. This puts the program at risk because if the problem/opportunity isn't clearly stated, it won't resonate with the audience.

The audience will struggle to understand how they can help, and engagement will suffer. Additionally, when the net is cast wide, the team is left sorting through a ton of junk. When there are stated needs and on-target ideas, but a lack of incubation skills, ideas stall out at the evaluation phase, leaving no results to justify existence.

Jennifer Dunn
Director of Customer Success,
HYPE Innovation

DISCOVERY

· Creation
· Recognition
· Elaboration
· Articulation of
  opportunities

CONCEPTUALIZATION
- Basic research
- Internal hunting
- External hunting
- Licence / purchase / invest

INCUBATION

· Evolving the opportunity
  into a business proposition

EXPERIMENTATION
- Technical
- Market learning
- Market creation
- Strategic domains

ACCELERATION

· Ramping up the
  business to stand on its
  own

COMMERCIALIZATION
- Focus
- Respond
- Invest

Why Innovation Managers Quit

To make the leap from process improvement to new products or services, organizations must make a deliberate investment to find and foster talent. As mentioned, *51 percent of people in innovation roles tend to leave within three years*—never reaching mastery within the organization.

"They had either moved to a business unit or left the company, rather than being promoted within innovation," O'Connor, Corbett, and Peters write, pointing out the loss of expertise. They found that more people left the company than moved within innovation roles.

The authors also learned that of the people who left, *87.5 percent are working in an innovation function for another company* or started their own company.

These statistics are telling. As we at HYPE track the health of innovation programs, some of the frustrations we hear are:

- **Dead-ends**. Ideas enter at the discovery phase but don't go through incubation. As noted below, the skills required for discovery differ from those needed for incubation. Not having the incubation skill set means leaving good ideas unexplored.

- **Incremental execution**. Ignoring incubation to move ideas straight from discovery to acceleration means the implementation of only the most obvious opportunities. Instead of creating new business opportunities, organizations are stuck with incremental product development.

- **Lack of persistence**. Teams unwilling to stick with incubation after meeting a threshold of investment bail on the idea, foregoing any potential learning.

- **Lack of alignment between leaders**. As ideas grow into potential projects, the hand-offs required often kill them. Those receiving the ideas might not leverage the learning accumulated and never realize the potential.

You can see there's some risk for accepting a role in innovation. The brave and sometimes naive few that take the position will often face project failure, unpredictability, lack of recognition, and career atrophy. It's no wonder people in innovation roles burn out or move on after only a few years.

The company suffers as team members leave. The development of innovation capabilities is stunted each time the team experiences turnover. The lack of experience leads to bringing little to no breakthroughs to market. *The good news is, this can all be remedied*.

Establishing Innovation as a Function

Organizations must recognize innovation as a core capability. We already discussed the importance of defining roles and closing talent gaps. Let's consider the model below by O'Connor, Corbett, and Peters. As an organization matures and wants to move beyond incremental innovation, this is the guidepost to work towards.

This structure shows that projects take place within areas of strategic intent and those combine to define the company's strategic innovation portfolio. The proposed hierarchy is necessary to enable coordination of various parts of the organization toward a common goal. Hierarchies are essential for cross-organizational decision-making, to include resource allocation, strategic direction, and change management. Without the hierarchy, many agendas are at play and chaos ensues. The proposed model forces us to consider what businesses are still missing and provides opportunities to improve:

- Articulated, realistic, permanent roles with responsibilities, tasks, and tangible performance measurements

- Appropriate selection processes and criteria to include personal characteristics, skills, and experience

- Development of talent through training, coaching, and involvement

- Clear opportunities for advancement.

	DISCOVERY	INCUBATION	ACCELERATION
Portfolio Level	Director Discovery	Director Incubation	Innovation Council
Domain Level	Opportunity Domain Leader	New Business Platform Owner	General Manager New Business
Opportunity Level	Opportunity Generator	New Business Project Leader	Functional Manager

Beyond the People Question

Obviously, there's more to sustainable innovation than setting up a career plan for innovation professionals and a growth plan for your innovation department. And it's more than we can tackle in a single article. However, we can at least give an outlook on what to keep in mind on the road to sustainability.

· **Strategic alignment**. Aligning with the company's core business goals means you're in step with the direction and helping find ways to support that. It's the fastest way to build acceptance and momentum while retaining an edge for creativity and exploration.

· **Processes**. Innovation processes are the tracks upon which you can drive repeatable success. They are also what enables innovation to be part of the day job. The right methods can turn a limited-scope innovation program into a systematic, widely adopted, and sustainable business activity. Critical areas for the innovation and leadership teams to assess and review include decision-making, evaluation, and measurements.

· **Technology**. Today, most innovation initiatives go beyond a local R&D department. Innovation teams must deal with scale, distances, and time zones, not to mention different languages. To effectively handle a diverse crowd, you need technology. There are many specialized suppliers and platform vendors. Innovation management not only supports industry, but it also is an industry.

To better understand pitfalls and opportunities when selecting a partner for your innovation program, check out this report. Learn more about HYPE Innovation at hypeinnovation.com

Innovation is an HR Talent Management Imperative

BY DANIEL FRIEDMAN, **IMAGINATIK**

Innovation is an HR talent management imperative, particularly for large organizations. In my years working with companies regarding innovation initiatives, executing HR programs within a large enterprise, and consulting with corporations on their human capital initiatives (everything from talent acquisition and selection, to onboarding, to employee engagement, to strengths-based development and executive coaching), I've noticed a major disconnect. Large enterprises *know* that their employees need to be engaged to perform optimally; this is proven.

As a result, companies consistently invest in employee engagement programs to increase levels of employee engagement. Wonderful! However companies also need their employees to "execute and operate" the business model, without diverging too far from a "plan." To reinforce this model, enterprises have leveraged compensation plans and KPIs (or some derivative) to keep their employees focused on the business model: "If you do this, in support of our objectives, you will be rewarded."

Herein lies the problem. The way companies have historically been structured, and the methods they use to engage and incentivize employees, are antiquated. *Because the world that these large companies have succeeded in no longer exists.*

Especially when you consider the word "innovation." Every single large corporation (OK, small companies, too) is focused on innovation. "We need to become more innovative, we need to avert disruption, we need to build a culture of innovation, etc." I've heard it, and I've lived it. (Hey, I was asked to launch a company-wide innovation initiative in direct response to a global employee engagement program—that's what the employees were yearning for, to "be heard"—as well as due to the company's need to innovate its overall business model.)

The difficult aspect is changing...or innovating. This brings me back to the original thesis of this article, asserting that innovation is an HR talent management imperative. And while I've gleaned bits and pieces of great practices from my clients and colleagues, I haven't found one consolidated area that addresses how large companies can develop and foster innovation within their workforces. So here goes.

· **Develop your employer brand**. Your company's "employer brand" should help attract new employees based on your reputation for innovating within your respective market. And if your current employer brand doesn't do so, it's time for a refresh. Think about it...though you may not consider your company to be currently innovative, your company was once tremendously innovative—otherwise your company wouldn't be an incredibly successful, large enterprise. So develop your employer brand so that you can attract, recruit, and hire the innovative employees that will support your company's future. GE is doing this with their recent ads. (Also, more companies are launching innovation centers/labs in cities across the country — some with the specific intent of luring new, innovative employees.)

· **Onboard your employees to innovate**. Onboarding programs should embrace new hires and engage them in the need to consistently innovate and question the status quo. Reinforce that the ability to think creatively and problem-solve is "part of the reason we hired you," it's what you expect (and encourage), and provide training and access to your company's innovation/idea management system. (I'm assuming your large enterprise has already invested in this critical innovation aspect. Table stakes.)

· **Focus on critical metrics**. Measure your company's levels of engagement, as well as your innovation quotient. Assess your company's level of innovation maturity, and consistently ask if you can do more to create an innovative culture. If you don't, your most creative and innovative employees will likely leave. (And take their passion to your competitors, or instead launch their own companies that might disrupt your business.)

· **Revisit your compensation/incentive plans**. Identify how you can incentivize employees, managers, and executives to innovate together. Track employee innovation (number of ideas, amount of collaboration, successfully launched projects), as well as the amount of innovation

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"The way companies have historically been structured, and the methods they use to engage and incentivize employees, are antiquated. Because the world that these large companies have succeeded in no longer exists."

within teams, business units, and functions. Focus on "time to innovate," reward structures, and job rotations (to foster innovative projects or programs that employees may want to pursue).

· **Invest in training & development programs.** I know, training and development programs are one of the "first areas to cut" when it comes to budgeting. However, training and development programs are so critical to creating the company that you—and your employees—want to work for. These programs are there to create new behaviors or reinforce positive ones; invest in the learning quotient of your employees; engage your employees and make them feel valued; and to "re-set" your culture, if need be. And investing in training and development programs that focus on creativity, innovation, and risk-taking are critical if you're seeking to truly impact innovation within your organization.

· **Align leadership:** This might be the biggest "no brainer" of this

piece, but large companies need to develop their business leaders' ability to innovate, as well as their ability to "allow for innovation." While leadership might be saying all the right things, they need to truly embrace the need to foster an innovative culture within the organization. Leadership teams need to authentically believe in the company's need to innovate, they need to articulate the course and direction—the what and why—for innovation, and yes...they need to approve budgets that invest in the company's innovation agenda.

This isn't difficult; it simply requires commitment and focus. If large companies are truly committed to innovation (check every Fortune 500 company's corporate objectives), they'll begin from the ground-up—from their employees. Sounds like a perfect lightning rod for HR teams to grasp.

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How MetLife Boosted its Digital Intuition

BY SCOTT D. ANTHONY, **INNOSIGHT** AND ZIA ZAMAN, **LUMENLAB**

Global giants seeking to drive digitalization are investing to build the digital competency of their top leaders. It's a smart move. After all, leaders inside many organizations have not "grown up digital." Sure, they likely use email and messaging, shop online, watch streaming content, and know their way around social networks used by their peers and their children. However, many lack the digital intuition the twenty- and thirty-something founders at would-be disruptors have built by experience.

Companies seeking to address this challenge should consider the lessons learned from an innovation matching program run by MetLife's innovation lab in Asia. The program served as a cost-effective way to concurrently build organizational intuition around emerging technologies and identify high-potential startups.

Like many traditional insurance companies, MetLife has seen the rise of fintech startups aiming to carve out parts of their business through new digital services. To harness those kinds of disruptive ideas for its own growth, MetLife opened LumenLab in Singapore in 2015. It has the dual purpose of developing disruptive ideas and strengthening the insurance giant's innovation capabilities (Zaman heads the group; Anthony has served as an advisor).

In 2016, LumenLab began a new initiative called collab. A small team worked with regional leadership to identify more than a dozen specific innovation challenges, such as innovative distribution models and fraud detection. It then launched a contest where the winning startup would receive a $100,000 contract with MetLife.

Collab was intentionally designed to *not* be another accelerator that would provide modest capital and working space to a small founding team. It seeks established startups that have already developed solutions and want the reference value of working with a global Fortune 50 company.

How It Works

Since its launch, LumenLab has has run three collab cohorts, collab 1.0 for MetLife Asia, collab 2.0 for MetLife Japan, and collab 3.0 for the company's EMEA Region that just finished in July 2018.

Each collab cohort is an eight-week long program. It starts with a set of clear problem statements in areas such as front-end operations, back-end operations, or customer engagement, developed with input by senior MetLife leadership. For example, the 2.0 program had 12 problem statements including:

· **Accelerated product design**. Speed up the process of designing and releasing products.
· **Micro-learning**. Make agent training fast, fun, and easy.
· **Thoughtful touchpoints**. Increase meaningful interaction with customers.

After program briefs and collateral are finalized, the collab team begins outreach to identify and recruit applicants. The team then screens through the list of applicants—which has ranged between 110 and 140 for the first three collabs—and selects six to eight finalists.

To build employee engagement, collab recruits internal "champions" to help drive the program's success. These are dynamic, innovative-minded leaders who are selected to coach the finalist companies and help them refine the pitches for maximum success. Collab culminates with a summit where the finalists pitch their solutions at a Demo Day before a panel of judges comprising senior company leadership, including MetLife market heads.

So far, MetLife has awarded close to $700,000 in contracts to eight startups. Winning startups include:

· Lucep, a Singapore startup that has built a tool for agents which distributes contextual leads for agents from digital campaigns in real time.

· Montoux, a New Zealand-based company that provides a product pricing solution to increase market competitiveness.

· WorkFusion, a US-based company that offers an AI-driven automation solution for operations professionals.

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Senior Partner,
Innosight

Zia Zaman
CEO, LumenLab

- Moneytree, a Japanese company that builds personal finance management apps.

- Flamingo, an Australian company that uses guided virtual assistant-led journeys to turn website visitors into customers.

Keys to Success

MetLife champions say the program gives them exposure to interesting digital startups, building their intuition about industry-relevant digital disruptions. A champion from MetLife's Japan business said, "I applied for collab to be associated with the external ideas and forces from startups in addition to running part of MetLife's day-to-day operations, so I can learn the best of both worlds." Another champion from MetLife's Asia regional office said, "Collab is an opportunity to learn more about non-traditional competitors and potential sources of disruption." Companies seeking similar benefits should make sure they follow five keys to collab's success:

1. **Define problem statements.** The startup world is chaotic and confusing. Taking the time to clarify areas that will have real business impact helps to focus on startups that have the greatest chance of connecting with the company—and to help to engage executives early.

2. **Source globally.** Big companies should take advantage of their scale and research to identify promising startup companies, wherever they might be.

3. **Engage champions.** Would-be champions went through a rigorous application process where they had to, among other things, create a short video describing why they wanted to participate. Having executives "opt-in" helped to ensure their engagement.

4. **Enlist senior judges.** Collab wasn't an academic exercise. MetLife was looking for companies with real solutions to practical business problems. The senior panel of judges signified to startups the importance MetLife placed on the effort, and ensured that it would fulfill its commitment to contest winners.

5. **Ring-fence budgets.** It's a well-established fact that more speculative, longer-term oriented innovation efforts almost always lose resource-allocation arm wrestling matches with seemingly surer short-term bets. A separate, protected budget for collab avoided this challenge.

The great science fiction writer William Gibson, who coined the term cyberspace, famously remarked, "The future is already here. It is just not very evenly distributed." Digital technologies are developing in plain sight in university labs and the entrepreneurial factories in places such as Silicon Valley, Berlin, Shanghai, Singapore, and Sydney.

Collab shows how companies seeking to build their digital intuition can find cost-effective ways for executives to experience tomorrow, today.

Scott Anthony is a senior partner at Innosight, the strategy and innovation practice at Huron Consulting Group. Zia Zaman is CEO of LumenLab. You can contact the author of this piece at santhony@innosight.com. Learn more about Innosight here: www.innosight.com

Open Innovation in Australia's Biggest Bank

BY JESSE ARUNDELL, **COMMONWEALTH BANK OF AUSTRALIA**

Who said you had to be a small startup to be a successful innovator? At Commonwealth Bank of Australia (CBA), we're using scale to our advantage—by crowdsourcing innovation and tapping into the wealth of ideas from our 49,100 employees.

CBA is Australia's largest bank and the 13th biggest globally by market capitalization. Our 16.1 million customers are served by 1,267 branches and 4,253 ATMs.

Getting a workforce of this scale involved with an innovation program wasn't easy, but the rewards have made it worthwhile. In 2017, just three years after launching an internal crowdsourcing platform, CBA employees have generated almost 30,000 ideas.

Of the 30,000 employee ideas, the bank has implemented nearly 3,500 of these, resulting in new processes, services, and other innovations that have improved the customer experience, helped colleagues in their jobs, reduced risk, increased our workforce's capacity, and lowered our day-to-day costs.

Many of the improvements came from unlikely sources, such as employees who weren't directly involved with the functions benefiting from the ideas. This is one key to the platform's success. It allows us to tap into our workforce's diverse range of skills, experiences, and backgrounds.

How We Started

As you would expect, building such a platform required a significant investment in time, resources, and technology. Before even considering our options, we had to understand the current state of innovation in the bank and how our employees could contribute. So, we conducted internal research across the company.

We came across a range of opportunities to improve, including one big challenge that's common to many enterprises: new ideas were only coming from a privileged few. We weren't making the most of the creativity, collaborative nature, and ingenuity of our people.

We also found that idea management processes across our organization were typical of ad hoc business innovation, in that there was an opportunity for us to enhance the effectiveness of our processes by increasing the transparency, tracking, and the communication of our efforts to our people.

To solve these problems, we launched an internal open innovation platform that we call "Unleashing Innovation." In doing so, we wanted to create a culture where innovation was everyone's responsibility.

About Our Open Innovation Platform

To bring our cultural ambitions to life, we used the platform to create new pathways and opportunities for our people that would empower them to generate new, innovative ideas and improvements for the customers and communities we exist to serve. These pathways and opportunities take form in:

· **Innovation challenges**. Challenges are competition-based campaigns that run for a period of four to six weeks and are designed to crowdsource ideas to solve a specific problem or take advantage of a particular opportunity within the bank. Challenges have ranged from "How might we help millennials to overcome their financial challenges and secure a prosperous future?" to "How can we improve our credit card rewards program?" We have held more than 50 innovation challenges since launch, including 25 in financial year 2017–2018 alone.

· **Innovation channels**. Channels are "always on" communities that enable each of our business units to collect, manage, and implement ideas and improvements from our employees. We have 16 of these "always on" channels live across the organization that are focused on collecting ideas and improvements for our operations and IT teams, through to our branch network and call centers.

All of our employees can post ideas in any challenge or channel, and vote for and comment on them. This ensures that our goal of ensuring that innovation is everyone's responsibility comes to life.

The Importance of People and Processes

Our platform is vital in enabling the bank to crowd-source ideas and provide tools for employees to collaborate and participate in innovation. However, we also recognized that to be successful, the platform needed to be part of a broader initiative that included
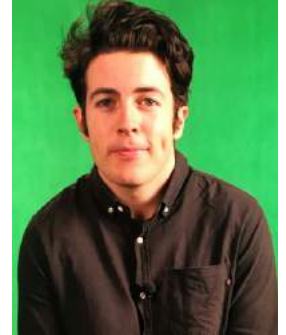
Jesse Arundell
Open Innovation Lead,
Commonwealth Bank of
Australia

improving the capabilities of our people.

We wanted our people to think differently — to think about innovation holistically, from the perspective of our customers, rather than from within the confines of their work and department. So we developed innovation programs to build skills in design thinking, experimentation, agile and lean methodologies, and the use of data and analytics.

Holistically, these programs and the training within them has helped our people become more creative, empathetic and customer centric, resulting in an increase in good ideas and improvements that funnel into our platform.

Our Successes

As a result of these measures and our focus on scaling the platform across our organization, employees' use of the platform has grown quickly: it now has more than 37,400 registered users, including 15,400 active monthly users. Together, they posted more than 25,100 comments and cast 80,900 votes for the 29,700 ideas posted in the financial year 2017–2018. Many of the ideas have already been implemented—including more than 3,390 from our Innovation Channels and around 100 from our Innovation Challenges. An example of some of the implemented ideas include:

- "CanTasker," an internal task marketplace, connecting those who need tasks done with those who can do them.

- "AR ATM Technician," an augmented reality application for our branch employees, which provides them with step-by-step instructions to troubleshoot simple issues that occur on our ATM fleet.

- 'Contingency', a scenario-based role-playing board game to upskill our people in proactive risk management.

The Power of Inclusiveness

We are delighted with these successes, the popularity of the open innovation platform, and also how it has changed our organization's culture. It has enabled anyone in the bank—regardless of who they are, where they're located and what role they have—to offer ideas, participate in innovation and feel part of something that is bigger than their job or department.

This inclusiveness has had other benefits, such as a broad lift in collaboration across the company. People who wouldn't have otherwise interacted now collaborate on all sorts of topics and problems. In any given challenge or channel, we have hundreds or even thousands of people from different teams and with different job functions engaging with each other, collaborating, on ideas and sharing knowledge.

Lessons

We have learned a number of lessons from our open innovation platform, with the biggest being the power of diversity. The more people from different business units, departments and teams who are engaged in a challenge or channel, the better the results.

This ability to gain easy access to a wealth and diversity of expertise and experience across the organization is critical to our innovation efforts, and we often find that some of the best ideas— including some that win our challenges—are from people you'd least expect.

We've also found that it's crucial to have strong internal communications to continually spark peoples' interest and to offer incentives to participate. Transparency is also vital, allowing people to see how their idea is being developed, and even offering them a role in its development. To meet our objectives, we offer seed funding for some good ideas. We sometimes also second people to work on their projects outside their regular job, and then bring the finished product or service back into the organization.

To see how so many of our people are participating in innovation is extremely satisfying. So too is seeing the impact on CBA—and how an organization of our size has transformed into a truly innovative, agile company.

Innovation Practitioner Insights: Maureen Rinkunas of DowDuPont on Creating a "Startup Culture"

BY JOAN GRECO, **THE CONFERENCE BOARD**

At the upcoming Innovation Master Class, taking place in Palo Alto December 6-7, 2018, Maureen Rinkunas, Innovation Systems Designer in the Specialty Products Division at DowDuPont will be speaking on "Thinking Like a Startup — Lessons from Accelerating 100+ Companies." She will be sharing insights gained from having coached over a hundred companies at a startup accelerator, and from bringing that startup thinking to DowDuPont.

    I interviewed Rinkunas on common mistakes and powerful strategies for building a startup culture in a large enterprise; advice when partnering with startups; and the value of inclusion for innovation.

Are there common mistakes or misguided assumptions you have seen in the attempts of large companies to maintain a startup culture?

Leadership of many larger corporations assume that the easiest path to bring startup culture into their organizations to hire externally, recruiting talent from startups. Not surprisingly, this strategy often fails to have "viral" impact.

    Too often this talent is sequestered away in innovation labs or placed on teams that exist outside of the traditional structures of the organization. While this can be an effective way to help create agile teams not weighed down by traditional bureaucracy, this approach positions startup culture as something outside of the norm, rather than a mindset that should be embraced across the organization.

    Hiring talent from startups can be a powerful strategy to drive real change but only when that talent is integrated into existing team structures and empowered to lead by example. Using new hires as change agents creates experiential learning opportunities for the rest of the organization and helps pave the way to innovation at scale.

What practices would you advise (or advise against) when a large enterprise is partnering with a startup, in order to best leverage the strengths of each?

The first thing you need to learn when working with startups is to stop being too nice. Most corporate cultures espouse politeness as a virtue, but that same spirit can be detrimental to startups that benefit from open and honest feedback.

    If you know that discussions are not progressing towards some sort of partnership, be direct and let the startup know. Startup founders are working with short runways. A lost deal is typically not crucial for a large company, but too much time spent nurturing a relationship that has no path forward could lead to failure for a startup.

What do you see as the most "disruptive" business/technological developments on the horizon? In what processes or sectors should businesses be looking to "disrupt themselves"?

Much emphasis is placed on scanning the landscape for technological developments, and having an understanding of the key developments within your industry should be considered table stakes. If you look at how large incumbents have been disrupted in the past, it has been less about technology and more about embracing new business models. BMI Lab's 55 patterns that emerged from studying over 250 successful companies and their underlying business models is a great starting point to explore business model innovation. (Conference Board research has had similar findings about innovation extending far beyond STEM.)

In your experience, what is the importance of diversity and inclusion in innovation? Can you give some examples of the impact? The Conference Board's Signposts of Innovation research has noted the value of diversity in a culture of innovation.

To borrow from the venture capital world, it's all

Joan Greco
Program Director,
The Conference Board

about unique deal flow. For too long, venture capitalists have invested in startups that match a certain pattern (and founders that fit a certain mold). A savvy investor seeks out under-represented startup founders because these individuals have fresh ideas and perspectives. These founders are able to tap into new markets that have largely been ignored and give a voice to end users that, while a minority, represent increasing buying power.

Corporations do well to take a similar approach to finding fresh voices. I had worked with a large hospital network to uncover pockets of innovation. We hosted a series of workshops on lean innovation that were open to anyone within the organization. Some of the most promising ideas came from the nursing staff who were improvising solutions to day-to-day problems, and from security guards who spent their time observing how various stakeholders experienced the hospital.

Hear from Maureen Rinkunas and from innovators at Salesforce, Google, Microsoft, Xerox, Cisco and more at the next Innovation Master Class, taking place December 6-7, 2018 in Palo Alto, with curated Silicon Valley site visits in a pre-conference tour December 5. Learn more about The Conference Board at www.conference-board.org

"Using new hires as change agents creates experiential learning opportunities for the rest of the organization and helps pave the way to innovation at scale."

A Strong Culture is its Own Incentive for Innovation

BY MAGNUS PENKER, **INNOVATION360 GROUP**

Over the years, I have seen many attempts at incentive programs for innovation. It's no secret that they fail most of the time. The question is why. To address the underlying factors, rather than discuss yet another recipe for failure, I offer up three personal experiences that illustrate important elements in organizational culture that make incentives work.

My Dear Friend Who Only Wanted to Drive Cars

Some years ago, a dear friend from my undergraduate studies called me and asked, "Are you the innovation consultant our CEO hired?" My friend worked as a test driver for one of the most well-respected automotive manufacturers, and had given a breakthrough idea to the firm's innovation team.

He told me that they now wanted to force him to actually work on the idea, as HR believed his involvement was key. But my friend did not want to get involved with the actual development—he just wanted to do what he loved most, which was driving cars. He told me he would not offer any more ideas to the innovation team.

And he was a maven, really at the forefront of new knowledge in his field. Now you might be wondering, did I work for them? No, not back then, but I do today, and I use this story in my cultural transformation work to show that different teams look at the same problem in different ways. Diversity of personas is absolutely necessary for breaking new ground and building new initiatives, but in order to turn good intentions into actionable plans, we need to understand each other's perspective.

My Old Hometown and the Spectacular Failure of an Innovation Lab

Not long logo, in my hometown, we had a pretty large telecom company. They wanted to boost innovation and did what many others have done: started a fancy innovation lab, at a fancy address, with a fancy name, and fancy people.

I call it the f-sickness. They reached out to me for a second opinion, and I had a lot of questions: What's your runway? Who will shepherd the ideas? What is your test market? Where are you going to test the

solutions? They told me they would take care of all that. Five years later, they closed the lab, with zero results for exceptionally huge expense.

As a consultant who has seen many innovation labs, I learned early on that you must do a 360-degree analysis: fully understand the operational, tactical, strategic, and cultural scene. Otherwise your capacity for invention will be limited, and innovation (commercialized invention) will not happen.

The cultural fit for taking insights and lessons learned to market with engaged customers from the start is essential, and there must be incentives for reaching out, involving external and internal stakeholders, and making those involved part of the larger story.

Incentives and motivating factors can be both intrinsic and extrinsic, including operational models with KPIs and funding plans, job rotation, building bridges to markets and different business areas, and engaging the organization in creating a compelling innovation story. When a scene is well understood (that is, you have that 360-degree view), when there is a compelling vision, and the proper operational model is in place, there is no need for explicit financial rewards. The most sustainable and efficient incentives are inherent in the business model and the culture. This is why the scene must be assessed, measured, and understood before you start creating innovation labs or undertaking cultural transformation projects.

The F-Word that Prompted Me to Call Seven CEOs

Back in 2000, I recruited a brilliant young lady as a project leader. She was a wonderful person, a hard worker, loyal, very social, culturally adaptable, and very polite. And she always delivered beyond the call of duty.

As we were a startup, I could not match her previous salary, but I could offer her shares. Why did she come over to my little venture? I learned the secret years later, and it changed my life.

She told me that in her previous job, a senior position, she got so tired of writing reports to the executive board because she suspected that they never read them. So, she did a little experiment: she put the

Magnus Penker
CEO and Founder,
Innovation360 Group

"When there is a compelling vision, and the proper operational model is in place, there is no need for explicit financial rewards. The most sustainable and efficient incentives are inherent in the business model and the culture."

f-word in one of her reports. She waited six months to be accused of improper behavior. It never happened. So instead they lost her, and she came over to my venture. She is, by the way, very successful today...

What is the moral here? Listen and repay; show respect and people will show respect to you. Stressed-out innovation task forces and crocodile CEOs (small ears, big mouth) lose out on the best ideas.

Many years later, when myself and a partner started Innovation360 and became an authorized reseller for a large ideation platform, I realized that most of the tech teams working with the ideation platforms are more interested in getting ideas than in actually keeping everyone updated and engaged. From their standpoint, this is not strange because keeping hundreds or thousands of people informed is very time consuming, and it does nothing to promote your internal career.

So, I called seven CEOs and asked if they would fund a new platform made by innovators for innovators. They did, and a new company was born. In fact, they recently added a global 100 company on their client list, not because they're the best from a functional perspective, but because they're the best from a culture perspective.

Four key takeaways

1. Start listening, start giving feedback, automate what can be automated, and enhance empathy with technology.

2. Link innovation teams to runways; make sure there is a market and resources involved from the beginning. Engage people externally and internally, introduce job rotation, and lead by example.

3. Define a clear operational model with KPIs for innovation centers. Is it a cost center? A profit center? Is it centralized? Decentralized? Integrated? What are the objectives?

4. Create intrinsic rewards by integrating innovation into the culture, instead of extrinsic incentives that float on the top and have little effect (and in the worst case are counterproductive).

Magnus Penker is an internationally-renowned thought leader on innovation, artificial intelligence, digitization, and business transformation. You can contact the author at magnus.penker@innovation360group.com. Learn more about Innovation360 at www.innovation360.com

Creating the Innovation Culture: The Three Roles Essential to Success

BY LANGDON MORRIS, **INNOVATIONLABS**

As the business world becomes increasingly complex and more competitive, companies are turning to innovation as one of the few sources of competitive advantage. The necessity of innovation is now universally accepted, but beyond their enthusiasm for the occasional bright idea, most companies know that to be successful over the long term they must develop a strong innovation culture.

Such a culture produces innovations of all types — breakthroughs, incremental changes, and radically new ways of doing business — and does so with regularity.

The concept of regularity gives us a test to see if a company really has it. We simply ask how frequently it produces new ideas, concepts, products, and services. If new stuff is coming out all the time then it's got it.

But supposing an innovation culture doesn't exist. Then how can you make it happen? How do organizations develop an innovation culture?

Culture and Innovation Culture

Since the innovation culture is not so common today we know that it's not easy to create. Why? It's only a slight exaggeration to say that companies love stability and predictability because these factors make it possible to earn profits; innovation is about change, which can be difficult to live with and disruptive. Companies love repetition; innovation is about novelty. People get engrossed in corporate politics and "what's in it for me"; innovation upsets the apple cart, and moves the cheese!

The broad tendency of modern management is to focus, simplify, and standardize. None of these factors favor innovation; actually, all of them are nearly its opposite. Does this mean that individual people — workers, managers, whatever — are against innovation? No, they're definitely for it. But collectively the way organizations are organized makes innovation difficult, and hence the rarity of the innovation culture.

How, Then, Do You Develop the Innovation Culture?

In our experience (which is extensive), the innovation culture has two essential ingredients: rules, and roles.

Rules means "the way we work." These are policies, practices, structures, processes, and everything else we do in the course of building our company and meeting the needs of customers. Toyota has instituted a set of rules that make innovation a common occurrence.

Roles means "who does what." In the innovation culture this refers to how we support innovation, and in particular strategies for overcoming the obstacles that otherwise will inevitably impede innovation. How do we do this? Three essential roles are necessary to developing an innovation culture: *innovation leaders, innovation champions, and creative geniuses*.

All three roles *must* be filled, and must work in harmony. The good news is that once you understand these roles, you can build them into your organization. If you keep at it, before long you'll see evidence of the innovation culture emerging!

Innovation Leaders

Leadership is so essential to innovation that without leadership, innovation cannot and does not happen. It's as simple as that.

The definition of an Innovation Leader is, "Someone who influences the core structures and basic operations of an organization to favor innovation."

Core structures are the organization chart, policies, principles and practices, metrics, and rewards. They can either favor innovation, or impede it.

Basic operations are budgets, work processes, and rules, and they can also be supportive of innovation or obstacles.

Langdon Morris
Senior Partner,
InnovationLabs

Leaders can be powerful champions of innovation, or dark clouds of suppression. It's up to them to ensure that their words *and* actions support and enhance innovation efforts, and that they work diligently to eliminate the many obstacles that impede or even crush both creativity and innovation.

Let's take a few examples. How about budgets? Do your budgets include the line item "investment in innovation"? If not, how are you going to assure that it's getting investment?

Do you assess and reward P&L managers on profitability? Do you also expect them to innovate? If so, you're giving them a mixed message, because innovation is a short-term cost that only achieves a return in the medium- to long-term. Investment in innovation reduces short-term profitability, and reduces a P&L manager's apparent performance, and so their rewards.

Have you seen companies fail because of lack of innovation? This dynamic is a primary cause. Here, the only way managers innovate is from principled commitment, or because one happens to be a visionary willing to sacrifice short-term reward for long-term organizational benefit. This individual is rare, and the game is rigged against this behavior.

Do your personnel metrics assess "contribution to innovation"? Is innovation recognized, individually, in teams, by departments, or in the organization as a whole? People do what they are recognized and rewarded for. Innovation leaders set expectations, standards, and goals. They define priorities, celebrate and reward successes, and support intelligent failures. All these factors can be designed to make innovation easier or more difficult. Each can favor the status quo or favor useful and effective change.

If there is no budget for innovation, then it can only happen by "accident." If policies make it impossible to test new ideas, then there won't be new ideas. If innovation is not articulated as a goal of top management, then it probably won't be a goal of anyone else either.

Innovation leaders are typically, although not exclusively, senior managers. Because of their authority they are in a position to eliminate obstacles that inhibit innovation performance. So when we hear, "That's not how we do it here," we know we've encountered an anti-innovation culture. As they lead the fight against these obstacles, leaders work to enhance and strengthen innovation enablers. They must walk the talk.

Innovation Champions

Innovation Champions, individuals and teams, promote, encourage, prod, support, and drive innovation. They find creative thinkers and help them seek new experiences to spark new ideas, then share and develop those ideas.

Champions are enablers, facilitators, and supporters who play critical, hands-on roles in nurturing innovation efforts throughout their organizations. They include senior managers, line managers, staff, and front line operations staff. But the specific nature of the Innovation Champion role is to bridge between the strategic goals and the day to day focus of front line workers. They are the critical glue that holds innovation efforts together, and critical supporters who enable innovation.

Innovation's Creative Geniuses

Creative Geniuses are individuals and teams that come up with surprising insights, brilliant ideas, cool breakthroughs, and tiny incremental differences that eventually become innovations. Creativity lies at the roots of the innovation tree, and Creative Geniuses understand what works and what doesn't work. They create the future.

As with innovation champions, they may be senior managers; they do have plenty of new ideas. They may also be middle managers, uniquely positioned to see what others miss. And they're often workers whose roles bridge the gap between an organization and its customers.

The key enabler of creative genius is the ability to see things not only for what they are, but for what they *could be*. Entrepreneurs are often these geniuses, and the core of their insight is how a business could be better than what exists today.

In the past, many in front line roles were specifically told *not* to be thinkers, not to ask questions, but only to perform pre-defined roles. Today it's the opposite. Front line workers have unique and invaluable perspectives that can lead to innovation in many dimensions.
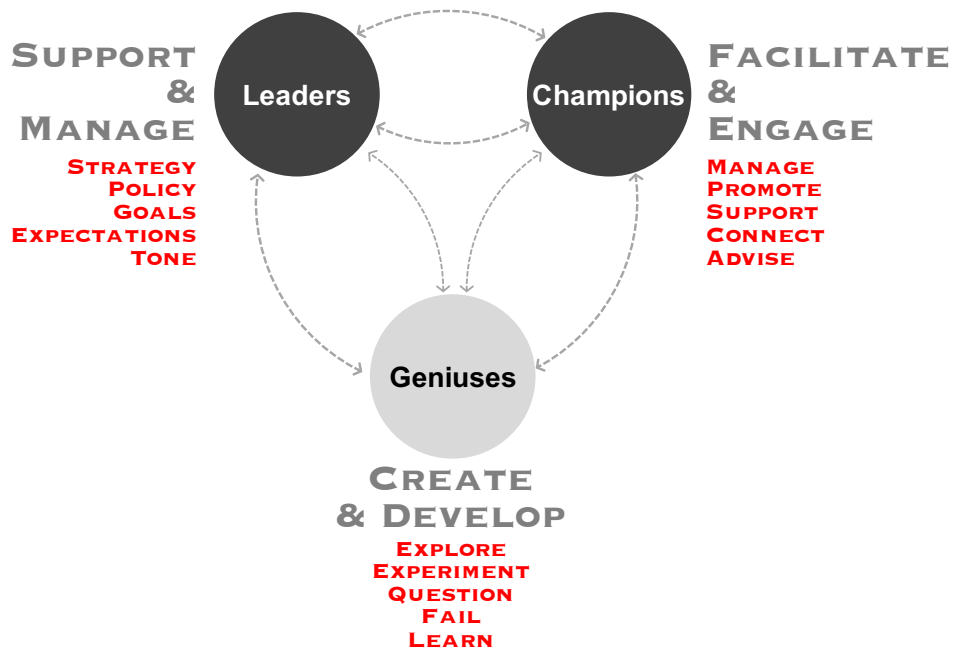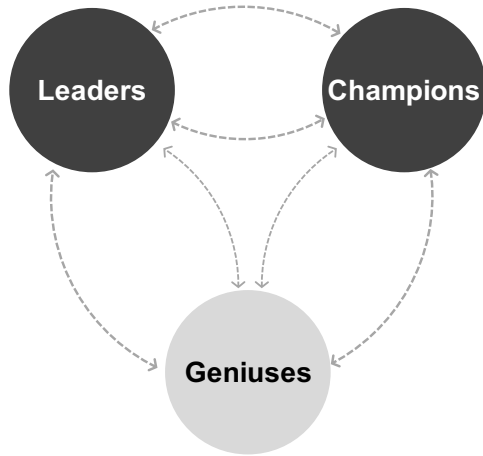
Conclusion: The Innovation Culture

We know that innovation is difficult for most organizations to accomplish on a consistent basis, and there are a few common reasons for this: lack of attention from top management, lack of a precise innovation methodology, and lack of time to pursue new ideas. And another reason is that it may not be clear what the needed roles are. But now you know.

The Three Essential Roles
in the Innovation Culture

Leaders

Champions

Geniuses

**SUPPORT
&
MANAGE**

**STRATEGY
POLICY
GOALS
EXPECTATIONS
TONE**

Leaders

Champions

**FACILITATE
&
ENGAGE**

**MANAGE
PROMOTE
SUPPORT
CONNECT
ADVISE**

Geniuses

**CREATE
& DEVELOP**

**EXPLORE
EXPERIMENT
QUESTION
FAIL
LEARN**

Building Your Innovation Team: Jobs, Roles, and Proficiencies

BY LARRY SCHMITT, **INOVO GROUP**

Establishing a comprehensive innovation system involves multiple and complex dimensions of organizational culture, structures, processes, people, and metrics.

Doing it well requires a methodology and framework that gives a leader a clear-eyed look at the jobs the permanent innovation team needs to accomplish, the roles required to accomplish these jobs, the proficiencies required to master these roles, and the people who are or will be part of the team. This is a challenging task that can be aided with an appropriate framework and methodology.

An Innovation Team Framework

An innovation team needs to find large growth opportunities that are within the strategic scope of the company, but which would not be pursued on their own. Building this team is difficult. In no other organizational situation do you need a more diverse set of proficiencies to put on the front-line of future growth. This team needs to deal with high levels of ambiguity and uncertainty, learn fast across a vast range of topics, and develop large networks of internal and external connections.

Having the wrong mix of people will lead to poor results. An optimal team mix is achieved by having the proficiencies needed to get the innovation jobs done. Proficiencies are the skills that can be taught, mindsets that foster innovation, and experiences that result in insight and wisdom. There are specific skills, mindsets, and experiences that are known to be important for the practice of innovation.

Every company has a different culture, strategy, organization, and mission that affects the composition of the innovation team. Despite this variability, a common framework that has at least the following components is very useful:

1. **Jobs to do** — The things that a well-functioning innovation system needs to accomplish. Doing these jobs well will result in the desired innovation results.

2. **Roles that accomplish jobs** — A role gets jobs done. Not every job can be done by every person, so a Role is a means of partitioning jobs into discrete subsets that can be done together.

3. **Proficiencies** — The skills, mindset, and expertise, manifested in individuals, needed to fulfill a Role.

The **Jobs**, **Roles**, and **Proficiencies** should be compatible with the company, but also slightly uncomfortable. This team needs to push the company into new territories and expand the boundaries of what the company can do.

To that end, the Jobs, Roles, and Proficiencies will have elements that look strange to the established human resources practices of the company. The following are abbreviated lists of partial descriptions of Jobs, Roles, and Proficiencies. These are intended to indicate what these elements look like and are not a complete set.

This framework and methodology provide the structure and elements needed to build a permanent innovation team for any company, no matter what their specific culture and strategy.

Jobs to Do

An innovation team has specific jobs it needs to do. These jobs provide the foundation for the team.

1. **Futuring** — Create and maintain an informed set of futures, scenarios, and forecasts that influence strategy and opportunity exploration.

2. **Opportunity Creation** — Establish and maintain a process to create strategic opportunities. Maintain a system of opportunity creation that results in strategic opportunities.

3. **Experience Insight** — Observe, understand and describe relevant experiences of individuals and groups. Connect experience insight with design alternatives to inform opportunity creation.

Larry Schmitt, PhD
Managing Partner,
Inovo Group

Roles

Individuals will be doing more than one job and there will also be multiple people doing the same job. A role is a collection of jobs that are done together. Roles accommodate this M to N relationship between people (M) and jobs (N).

1. **System Conductor** — The team leader occupies the role of the conductor of the innovation "symphony." They make sure that the multiple "pieces" are playing in harmony to achieve the innovation mission.

2. **Opportunity Designer** — A multi-faceted role that is central to the creation and design of new opportunities that are significant and acceptable to the company.

3. **Business Developer** — A role that encompasses all that needs to be done to create new businesses both within the company and externally.

Proficiencies

There are certain skills, mindsets, and expertise that are required to fulfill a role and do a job well. Skills are what people can learn and improve on over time. Proficiencies are the link between what the team is required to do and how it can do it (Jobs and Roles) and actual people who have a specific set of proficiencies. The following is a selection of some of the interesting proficiencies that are important in the practice of innovation. More in-depth descriptions can be found in "An Innovator's Skill Set."

1. **Actionable Empathy** — The ability to put yourself in someone else's shoes and experience the motivations that underlie behaviors of interest. Being able to describe 'why' someone behaves the way they do.

2. **Mental Duality** — Making sense of ambiguity. The ability to keep the whole and the parts in mind at once. The ability to go from the specific to the general and back again at will. The ability to connect the levels between the abstract and the concrete, the big picture and the details.

3. **Organizational Agility** — Understanding of the organization's power structures, influencers, and detractors, and the ability to navigate around the organizational land-mines to bring people on board to accomplish goals.

Using the Framework

The innovation team framework (a small portion of which is described above) lets the innovation leader and their team accomplish the following:

1. Be explicit about the **Jobs**, **Roles**, and **Proficiencies** required and the links between them. Each Role has a set of *primary* and *secondary* Jobs that it fulfills.

2. Develop a **profile** for each Role that defines which Proficiencies are critical, important, nice-to-have, or irrelevant for that Role. From this, an ideal profile for each Role can be created, and the correlation between Roles can be determined (e.g., someone who is good in Opportunity Designer Role should also be good in a Futurist Role).

3. Each member of the innovation team has a proficiency profile. The profile shows the high, medium, or low levels of that proficiency.

4. Given the expected team size and innovation loading factors, determine the match between existing team individuals and Roles, how well those Roles are fulfilled by individuals (and therefore how well the Jobs get done), what gaps exist in the group, and the Role and Proficiency profiles of people who could ideally fill those gaps.

There is clearly more involved than can be provided in this introduction, but experience has shown that it is effective in providing both method and insight into staffing the innovation team, and it is extremely helpful in creating the position descriptions for an effective recruitment process.

All too often, companies do not appreciate the special nature of a corporate innovation team. A structured framework and methodology is an effective way to build an optimally-performing innovation team with a diverse group of people with varying skills and experience.

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How to Attract and Retain Innovative Talent at an Enterprise

BY CHRIS GALY, **MOVES THE NEEDLE**

Every organization's "greatest asset" is also its most underutilized.

Of course, I am referring to the people.

The very phrase "Our People are Our Greatest Asset" rolls off the tongues of CEOs and top leaders so easily that it has become cliche. It has become just another of those obligatory corporate catch phrases to say in every all-hands meeting and quarterly analyst call.

Not to be overly cynical, but what usually comes next is pretty predictable — statements about how culture is a competitive advantage.

But how can "culture" be a competitive advantage if virtually every company says they strive to build a strong company culture powered by customer-focus, innovation, transparency, or any number of other "differentiating" core values?

The truth is, an organization's — and by extension, an employee's — ability to learn, and translate insight into action rapidly, is today's ultimate competitive advantage. How organizations structure work and define jobs is evolving rapidly, so focusing on a new employee mindset offers both organizations and workers flexibility and adaptability to the ever changing work landscape.

As employers, we must not only support building this new mindset — we must also create the workplace environment where people are empowered to deploy it.

Navigating the War for Talent

Although unleashing employee potential is front-of-mind for many of today's organizations, we are just seeing the tip of the employee utilization iceberg.

When we get to the point where we can truly harness the whole of our workforce's collective talents, then the statement "our people are our greatest asset" will become real.

Over the last fifteen years, many companies have made a significant amount of progress in how they treat their people. We have seen new employee-centric organizational models like Google, Facebook, Zappos, SAS, Intuit, and Red Hat set the tone for what kind of culture an employee should expect.

The war for talent has created a competitive atmosphere in which many CEOs and founders must think about things like culture and attractability much more seriously. Their intentions are to build flatter organizations, "entrepreneurial" cultures, recruit and retain the best talent, and offer strong incentives to keep employees from thinking about anything other than delivering value.

And the truth is, great pay, free food and all the employee-friendly office amenities (Nerf guns and scooters) are really great. But, the problem is that companies, leaders, and employees alike are losing sight of the forest through the trees in our new perk-driven, talent-war focused environment.

Our branding communicates our culture and values to both our buying market and potential employees. But our actual brand is our *relationship* with our customers. In a similar way, our actual culture is the *relationship* between the organization itself and its people.

So while we've built up our brand story and manage it tightly on LinkedIn and Glassdoor, and we've loaded up on perks and cool culture elements, it is all for vanity — looks good, but means nothing.

If we offer strong educational benefits but don't provide employees the time to use them, we're failing.

If we speak to innovation and "entrepreneurial spirit," but don't empower employees to act boldly, we're failing.

Offering cool perks does not a stellar company culture make. There is more to it than ubiquitous Flamin' Hot Cheetos, open floor plans, and pinball.

Creating a Space for Maximum Potential

While the perk-driven economy might soften the blow that work is still work, what employees want is to do something that has meaning: something they can be proud of.

Leadership must create an environment where their people are able to contribute at their maximum potential. They must invest in building the critical skills and mindset necessary to compete in today (and tomorrow's) economy.

Chris Galy
HR Executive Advisor,
Moves the Needle

> # "When we get to the point where we can truly harness the whole of our workforce's collective talents, then the statement that "our people are our greatest asset" will become real."

Today's Companies Need to Focus on Environment, Not Rewards

In order to attract and retain great talent, companies must focus on developing an environment that empowers and motivates employees to work at their maximum potential, instead of focusing so heavily on near-term employee engagement strategies and extrinsic rewards.

For instance, employees who are given the space to focus on learning and development, who work to solve challenging problems, who are involved in company decision-making, and who are provided the opportunity for advancement (among other things), are more likely to stick around than those who don't.

Personal development is a shared responsibility between employer and employee with a focus on outcomes that benefit both. Employees desire support in building greater skills and higher competency; yet they also need guidance on which capabilities to build, and they need the space to do so without fear of reprimand.

It is the job of leaders to unleash potential, catalyze the cause, and protect the organization from falling back into old models. Space for innovators must be created intentionally, where they have "permission" to be creative and bold, and this opportunity should be provided to anyone.

Leaders must distribute power, putting decisions in the hands of people closest to the work (who are also closest to the customer when done properly), and empowering them to challenge the status quo.

They must lead through utilization of 3 E's of Lean Innovation: Empathy, Evidence, and Experimentation. Leaders of innovators must trust, but validate. Validate, then support. Support and share the learning so they don't make the same mistake twice. Give direction but not directions. Celebrate victories and learn from losses.

Then, and only then, does the stage for unleashing the totality of collective talent become set.

It is true that to compete in today's war for talent, most CEOs and organizations are forced to offer costly benefits just to attract potential employees and to retain the ones they have.

But the war for innovators will only accelerate in the near future, and although the right incentives and perks play a role in attracting, retaining, and managing top talent, leaders will need to develop a company culture that people want to be a part of.

And to do that, organizations need to go beyond the perk-driven mentality and determine how they can provide value to these employees on a level that is more than skin deep.

Final Thoughts

When an organization and its employees demonstrate the ability to learn, gather insight from the learning, and then translate insight into action rapidly, and this process is happening consistently, that is when one knows the people really are a company's greatest asset and its ultimate competitive advantage.

But building this environment takes a lot of hard work, and to scale it often requires the buy-in and support of the entire organization.

Start small with just one project or task, with just your team. Then, watch the momentum build as you learn and iterate. You will see and feel the difference when teams bond over the problems they are solving, instead of who got promoted, the larger bonus, or the corner office. Once this new way of working and mindset spreads, you will earn the right to say that your people are your greatest asset and your culture is your competitive advantage — knowing without a doubt that it's the truth not just for you, but for your people as well.

Learn more about Moves the Needle at www.movestheneedle.com

Why Organizational Agility is Key to Empowering Innovation

BY SAM BUNTING, **PA CONSULTING**

Who do you think the most innovative person in the world is? I bet you won't guess the answer.

The most innovative, creative, and inspiring person I know isn't often in the news or a fixture on the conference circuit. This person hasn't won a single prestigious award or authored a single publication.

At a loss for the answer? Well, I'll let you in on a little secret. The most innovative person in the world is... my daughter. You see, as I write this, my daughter is Day Six into building a rocket ship, one that will take her and her two best friends to Mars. In three days. On green energy. Using recycled materials.

Okay, well, really, she's modified the box our new refrigerator came in. But I love her aspiration and I think there's an important lesson here about the power of innovative thinking.

I recently had the opportunity to address a few hundred of the sharpest minds at the Disruption Summit Europe 2018. No one in attendance would have argued that rapid change in the world means organizations need to be faster and nimbler when responding to the needs of customers and employees.

Yet the point I was making was that many of today's incumbent organizations aren't fundamentally set up to continuously innovate, whether they think they're innovative or not. In fact, the complexity of their systems and processes—the rigidity and command-and-control structure—actively stifles the innovative abilities we humans have the capacity for.

I, for one, want to live in a world where my daughter's creativity—her "shoot for the moon" tendencies—are rewarded, not muted.

The good news is that the solution is well within reach, and already being embraced by leaders who have found that agile ways of working are unlocking huge gains.

By agile ways of working I don't mean what your digital team is doing. This is not about tech, this is not about software. It's an entirely new way to run your business. And it's not just for dynamic startups. Far from it, agility can transform well-established financial institutions, household names, and industry stalwarts, ensuring they are fit to represent the future of the business rather than just its heritage.

Agile organizations put a huge amount of emphasis on making sure their people are engaged and empowered and part of the co-creation process. They take pains to reduce the layers of complexity and number of processes that slow decisions and the speed at which they can get new products to market. Speaking of getting new products to market, they're laser-focused on creating value and are totally customer centric in their approach. They recognize that customers see businesses as a means to an end, and make themselves part of their customers' lives, clearly demonstrating how they can help achieve their customers' goals. And they're able to anticipate changes in customer preferences and quickly shift to meet their rapidly evolving needs.

Agility is a winning formula. Our own research on agile ways of working shows the more financially successful an organization, the more likely they are to display agile characteristics. Of course, financial performance is only one measure of success. Yet to operate in an agile way means to promote a culture where risk-taking is rewarded, where decision making is decentralized, where people are people empowered, and where an organization's purpose is so clearly articulated and understood that it serves as the ultimate motivator.

Back to my daughter's shooting for the moon. She may well get there. That's because I'm confident that whatever profession she ultimately chooses, she'll land in a place where agility isn't something to aspire to, but standard practice. And that her creativity will forever continue to flourish. That's a world we can all look forward to.

Learn more about PA Consulting at www.paconsulting.com

Sam Bunting
Global Head of Agile Consulting,
PA Consulting

# Expand Your Innovation Funnel

BY LUDWIG MELIK, **PLANBOX**

It is getting a lot more interesting to innovate as the innovation funnel is expanding on both ends. Organizations are realizing that there is more upfront work that must be done before they can even think about generating new actionable ideas. They realize that they have to build an innovation ecosystem, once a problem area is selected that is worth exploring. The process to execute a solution-finding campaign has also changed, and includes a much wider depth and breadth of contributors from a diverse group of participants without which any innovation activity would miss the mark.

The Funnel Is Getting Fuller

There are endless opportunities out there for companies to seize. The next big thing is always up for grabs. The principal requirements for success are: Think big, look wide, remember it is never too late, and keep playing the long game.

Bigger Problems, Better Payday

Organizations need to proactively monitor information from a myriad of data sources and be constantly on the lookout for material changes and shifting dynamics in the marketplace. Clues are anywhere and everywhere, and those who learn how to systematically identify and analyze the right data points can be handsomely rewarded for their efforts. Research has no start and no end. New information constantly presents new possibilities and methods. Not only for potentially new innovations, but also opportunities for business process optimization, or possibilities for an entirely new business model.

DATA SOURCES
Private and Public

AUTONOMOUS INFORMATION DISCOVERY

SIGNALS
Insight & Actionable Info
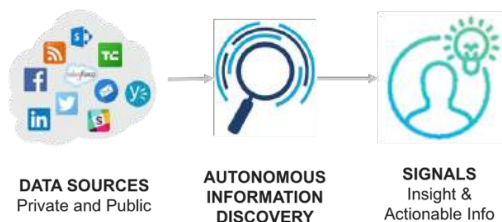
Instead of soliciting new ideas, best-in-class organizations are looking for the right problems to focus on. Rather than just finding simpler problems to solve, leading organizations are searching deep and wide for grand challenges to solve. The level of disruption largely depends on the company's ability to understand what the information being analyzed

indicates, connect the dots between disparate pieces of information, and frame the big picture challenge that is really worth solving.
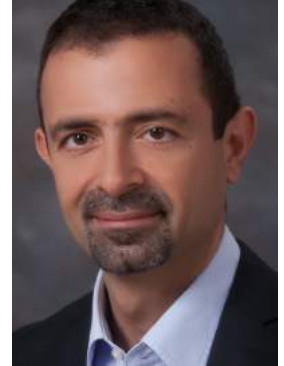
Connecting the company innovation efforts to the right data sources can serve as an incredible source of insight to drive three key considerations:

1. What are the problems our organization should focus on solving?

2. How can we inspire contributing participants to receive the right information by tapping into all available data sources to solve those challenges?

3. How can we leverage the right information on an ongoing basis as we make progress developing the best ideas to develop and defend our business case?

GENERAL PUBLIC
STARTUPS
UNIVERSITIES
PARTNERS & SUPPLIERS
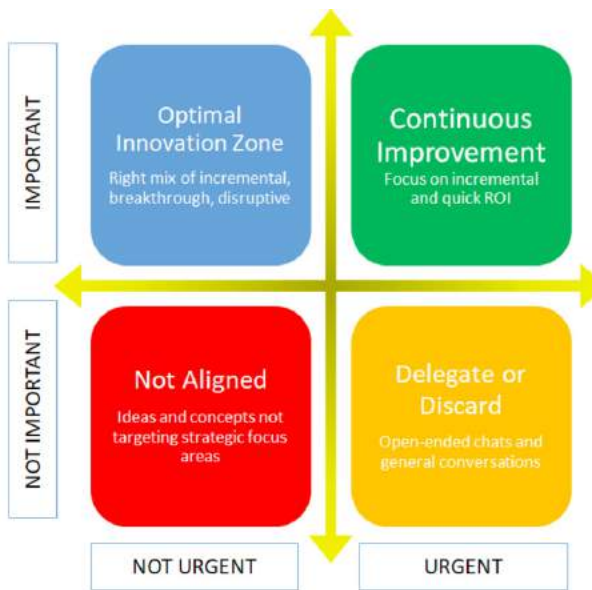CLIENTS
EMPLOYEES & STAKEHOLDERS

The Ever-Widening Innovation Ecosystem

The focus has shifted away from organizations differentiating and building an economic moat based on creating efficiencies in their supply chain, to driving a competitive advantage based on the strength of the connections and co-creation networks they develop, nurture, and sustain in their innovation ecosystem. This ecosystem itself has been steadily growing to include employees, customers, partners, suppliers, universities, researchers, and the startup community. The extent of influence that the company will be able to exert, and the level of contribution it can expect, will largely depend on the degree of separation. It starts from the inner circle, in terms of its employees and customers, and then goes outwards from there. The challenge for the organization is to learn how to co-create with its partners and suppliers, as well as to develop the right level of engagement with other participant groups such as universities, startups and the general public, to uncover new problem areas to focus on.
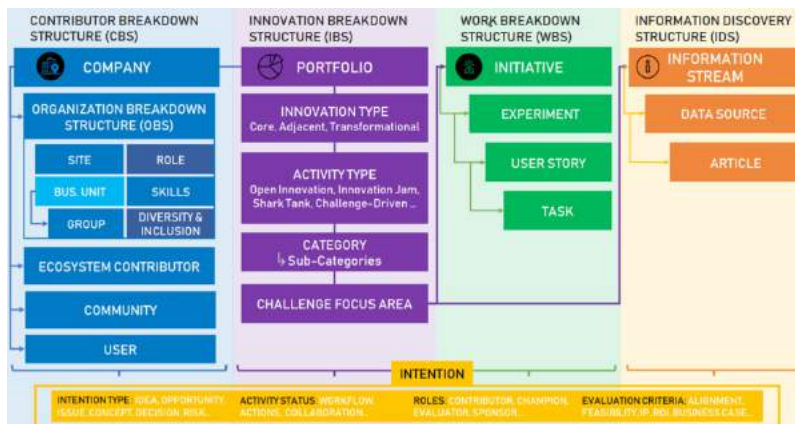
Ludwig Melik
CEO, Planbox

The Funnel is Getting Longer

There are more workflow considerations that companies need to account for as the innovation funnel expands from both ends. Continuous improvement and incremental innovations can flow right through the funnel, and it is a matter of basic blocking and tackling to act on such improvements as efficiently as possible. Higher-risk, higher-impact opportunities need to be carefully analyzed and experimented. This should include a concise analysis of long-term financial projections and the potential impact of making the investment.

The Funnel is Getting More Connected

Identifying problem areas to focus on, and generating ideas with your innovation ecosystem is just the starting point. There are many connections you need to maintain and build on to properly integrate the design thinking framework in your customer experience mapping journey. Look for opportunities to co-create with your suppliers and systematically evaluate startups.

The Funnel is Getting More Complicated

An increasing level of urgency guides the innovation investment that organizations are making as they look to not only protect their core business, but also to find new emerging opportunities that cover a satisfactory range of innovations, which they must pursue before competitors or disruptive market forces catch up with them. Casting a wider net requires better balancing of the types of innovation investments that make up the overall innovation portfolio.

Companies must more carefully categorize and distinguish between incremental and disruptive innovation to make sure they are not viewed and managed using the same approach. The more traditional stage-gate approach is used to advance incremental innovations, while a lighter, more creative and experimental process is designed to manage the transformational ones. Strong innovators are able to more easily leverage their subject matter experts (SMEs) to prioritize their innovation efforts and use the right reporting to weed out the "not important but urgent" that should be discarded/

delegated and "not important and not urgent" ideas that are not aligned with strategy. This ensures that the focus remains on the top of the quadrant with a healthy mix between "important and not urgent" concepts that represent the optimal innovation zone and the "important and urgent" ideas that represent Continuous Improvement (CI).

The Hierarchical Model to Structure Innovation

To accomplish all this there are our four key structures that come into play the "Contributor Breakdown Structure" (CBS), "Innovation Breakdown Structure" (IBS), Work Breakdown Structure" (WBS) and "Information Discovery Structure" (IDS):

CBS is about properly connecting your innovation ecosystem to your innovation efforts. IBS helps to define what the overall innovation portfolio should look like across all the areas of innovation that the organization wants to pursue. WBS creates the right approach to budgeting and tracks experiments for disruptive innovation pursuits. Finally, IDS associates the right content to nurture all these other structures, ensuring that data guides the right decisions. The chart below is a representation of these hierarchies resting on the intentions (ideas or concepts).

Summary

The time has come where you can truly innovate and redefine your business on an ongoing basis. As long as you commit yourself to building out an innovation management discipline that allows your organization to constantly dare yourself with the right grand challenges. These actions will help your organization adapt to a dynamic competitive landscape and changing consumer behavior.

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Playing to Win: How Gamification Can Level Up Your Innovation Ecosystem

BY ELLIOTT WILKINS, **QMARKETS**

Employee disengagement is proving to be one of the greatest blights upon the modern corporate landscape, costing companies millions of dollars each year. A 2018 study by Udemy found a staggering 36 percent of Generation X and millennial workers spent two or more hours per working day using their mobile devices for personal activities.

This statistic is understandable when you consider that the average smartphone is an inexhaustible source of endorphin-releasing stimuli. However, recent studies have demonstrated that society's current addiction to mobile devices is not as simple as this biological "pleasure response." In fact, the palpable rush that comes with setting a new high score on Candy Crush might only be a very small piece of the puzzle...

Dopamine, a chemical previously thought to function primarily as a pleasure inducer, is now regarded by scientists as a powerful trigger for "seeking behavior." To quote behavioral psychologist Susan Weinschenk, "Dopamine causes you to desire and search. It increases your general level of goal-directed behavior."

Considering these potent "goal-directed" effects, it's little wonder that more companies are looking to channel the psychology behind mobile-phone usage and gameplay into their innovation efforts. Major companies worldwide already appreciate the importance of having an innovation management system in place that can facilitate continuous improvement, as well as engage employees. A 2017 Gartner survey of CEOs found that "58 percent of business leaders stated that they plan to increase their investment in innovation and R&D." Of course, having an innovation management strategy in place that can monitor ideas, but cannot engage employees enough to submit them, is of little use.

The Power of Gamification

Simply put, gamification is a method that applies the principles of gameplay and competition to non-game scenarios. In the context of innovation management, this could involve everything from incentivizing

employees by offering a "grand prize" for a winning idea, to delivering virtual currency for each viable idea submitted — which can then be 'cashed in'. This approach is proving to be extremely effective across multiple sectors, with estimations that the gamification industry will be worth $11.94 billion by 2021.
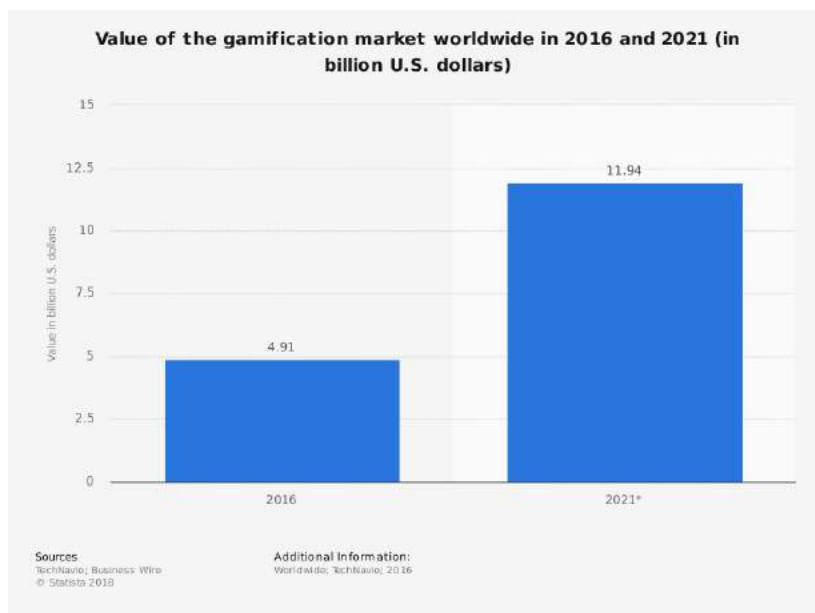
This article will explore how gamification — when combined with a powerful innovation management platform — can help nourish a thriving culture of ideation. To demonstrate the effectiveness of this approach, a brief case study has been provided, showcasing how RCI Bank and Services — a multinational finance company — implemented the gamification capabilities of Qmarkets' innovation management software. Finally, the article will cover how gamification can serve as a powerful method for attracting and retaining talent.

Amplifying Engagement & Ideation Through Competition

There's no limit to the creative ways that gamification can amp up innovation. However, the more effective

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Value of the gamification market worldwide in 2016 and 2021 (in billion U.S. dollars)

Sources
TechNavio; Business Wire
© Statista 2018

Additional Information:
Worldwide; TechNavio; 2016

methods — especially when it comes to stimulating goal-directed activities — tend to have an element of competition involved.

The idea of pitting employees against one another may cause some trepidation among Chief Innovation Officers who are more interested in fostering collaboration within their innovation ecosystem. However, competitive and collaborative approaches can serve to strengthen each other. To quote former project manager and editor of Gamification Co Jeff Lopez, "Collaboration and competition aren't themselves in a Thunderdome-style zero-sum contest... By applying gamification to a systems level analysis, designers, marketers, and managers can create a project where competition and collaboration go hand in hand."

In 2017, RCI Bank and Services adopted a winning innovation approach that epitomizes the effectiveness of combining collaboration with competition. RCI is a multinational finance company, offering services to the customers of the Renault and Nissan automotive groups. To foster a culture of intrapreneurship and generate new ideas for improving customer experiences, RCI invested in Qmarkets' Q-ideate product. RCI selected Qmarkets, as they deemed it to be the most technically ergonomic and financially attractive solution available.

RCI incentivized participation on the Qmarkets platform by implementing a competition-style ideation process. This competition worked at three stages. The employees who submitted the top 12 ideas for a specific campaign would be awarded an Apple iWatch. Out of these 12, four would be shortlisted — with their submitters receiving a five-month sabbatical and an allocated team to bring the idea to life. Out of these four, the overall winner, selected by an executive committee, would be given the opportunity to undertake a learning expedition at a Silicon Valley startup hub.

This gamified initiative — which skillfully combined incentivizing individual achievement with collaborative output (i.e. dedicated teams working towards the ultimate Silicon Valley prize) — yielded major results. Approximately 300 employees contributed 500 ideas, resulting in executives from RCI's sister companies reaching out to RCI to understand the secret of its success.

This is just one example of how gamification with competition at its core can help deliver the incentives needed to cultivate an innovation culture. It also adds credence to extensive studies that have found that game-based motivation can increase employee engagement by as much as 48 percent. However, competition isn't always king.

In their book *Top Dog: The Science of Winning and Losing*, Po Bronson and Ashley Merryman cite research that indicates that "25 percent of people wilt under competition , 25 percent of people aren't impacted by it, and 50 percent of people benefit from it." To engage the 50 percent that don't respond optimally to competition, it's crucial to have a diversified gamification and innovation strategy. As such, using a flexible innovation management solution such as Qmarkets — which can be tailored to address specific use cases, deliver direct feedback, and implement non-competitive gamification features — can ensure that game-changing ideas don't slip through the net.

Using Gamification to Attract (and Retain) Talent

In addition to selecting Qmarkets for its gamification potential, RCI made the decision based on the platform being an intuitive tool that could engage illennials. This sentiment reflects how companies are increasingly investing in user-friendly and engaging systems to attract an emerging generation of tech-savvy talent.

PwC Hungary provides a great example of gamification being used to garner and retain talent. The company launched a free game in which a player can simulate the activities undertaken in an accounting firm, to appeal to young graduates. In the years following the release of the game, PwC saw interest expressed by individuals to work at the company increase by an impressive 78 percent.

Although we have seen that gamification has a great deal of potential when it comes to getting top talent to submit the best ideas, developing a gamification strategy requires some collaboration.

To understand what "game" will best address your company dynamics, having a dedicated platform in which ideas can be submitted by employees or externally via customers (i.e. via open innovation initiatives) is crucial. In this regard, an innovation management platform can be invaluable for maximizing ROI and minimizing risk.

Considering its applications, gamification has the potential to transform the disconnected employee wasting company time on a cell phone, into the employee who might just submit the idea that will save your company millions. Having an innovation management platform in place with gamification capabilities will allow you to convert distraction to disruption and attract more innovative genius to your company.

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Why Aren't Companies Getting Better at Breakthrough Innovations?

BY DAYLE LIPSKY, **BABSON COLLEGE**

Can you imagine a company today not having a marketing department? Just a few decades ago, marketing as a function, profession, and department did not exist. It wasn't until the 1970s that marketing departments began to resemble anything like what we have today.

In the future, will we be saying the same thing about innovation departments? Professors Gina Colarelli O'Connor, Andrew Corbett, and Lois Peters think so. In their 2018 book *Beyond the Champion: Institutionalizing Innovation Through People*, they argue that innovation lies at the heart of competitiveness. It needs to be treated as a distinct function, and deserves its own approach to talent management. For companies looking to grow and succeed, getting better at innovation is a constant, nagging, and critically important challenge.

Beyond the Champion is the culmination of a four-year study and two decades of related research. O'Connor, Corbett, and Peters conducted more than 600 interviews with innovators at leading companies, including Corning, DuPont, GE, Rubbermaid, PepsiCo, and others. As a result of their research, the authors are more convinced than ever that healthy organizations cannot rely on lone-wolf intrapreneurs alone for innovation—it must be a team sport.

Read on for an excerpt from
Beyond the Champion…

Organizations that compete on the basis of innovation beyond incremental new product development need to create specific roles for their people. Not roles that put them in some form of an organizational straight jacket, but clear roles that allow them to get the job done for the company. Strategic innovation is a "team sport": it's so big that no one person has the skill set to do it all. Individuals want defined roles that allow them to take advantage of their innovative strengths—roles that give them some autonomy while still providing guidance for where they should invest their energies. The passion model is great, but it's not enough in a large, established company.

Strategic innovation, by its very nature, requires change across many parts of the company. We are not talking about random acts of innovation. We are talking about harnessing the resources and power of the large company to effectively commercialize new-to-the-world products. Those decisions must be coordinated. Individuals need some structure and hierarchy in order to effectively drive innovation.

Our framework for innovation roles will clarify the work to be done and how it is best grouped according to specific skill types. Role clarity helps institutionalize innovation as a function, rather than leaving it up to the whims of the current leadership. By institutionalizing innovation, we mean that it becomes an ever-present activity in the company. Investments can be increased or decreased as the organization's capacity allows, but the function itself should always be maintained. Historically, organizations have started breakthrough innovation programs and then defunded them just as quickly. They become the program du jour, rather than part of the organization's fabric. We need to move from pinning our hopes on breakthrough innovation to developing a strong competency in strategic innovation.

Since these role descriptions outline the types of activities necessary to move strategic innovations forward, they can become a tool to help those occupying them feel safe engaging in the types of activities that are the norm for innovation but largely unacceptable for the ongoing operations part of the business: experimenting, prototyping, trying new partnerships, and pivoting if necessary. By understanding these roles, we establish a culture of innovation such that people can operate without fear of reprisal. Clarifying the skills and responsibilities associated with each role will also provide a talent pool that can successfully move up through a career path associated with strategic innovation as needed. It's a bit counterintuitive for sure, but it is just what our research shows. When you think it through, we believe you'll agree.

You will see that we are not advocating overly
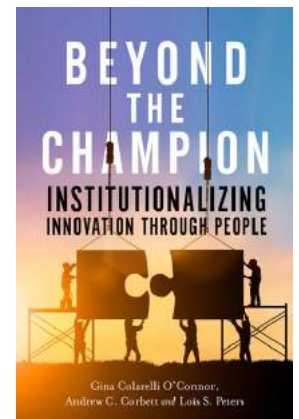
rigid roles. As one person told us, "Give people a fence for where to play, but then it's up to them." What we're offering is a blueprint for organizational design. It's a place to start that has been distilled from research and observation.

Once that blueprint and its basic principles are understood, the way it plays out in practice must fit the context of your organization. We believe the framework will bring clarity to what you already know through experience, help you design a more effective innovation function, and be able to capitalize on the investments in R&D and open innovation that your company has made but from which it has not fully benefited.

To learn more about how the insights from this book can be used to create an innovation team at your organization, email exec@babson.edu

"Strategic innovation is a "team sport": it's so big that no one person has the skill set to do it all."