

Innovation in Established Companies: Making it Work

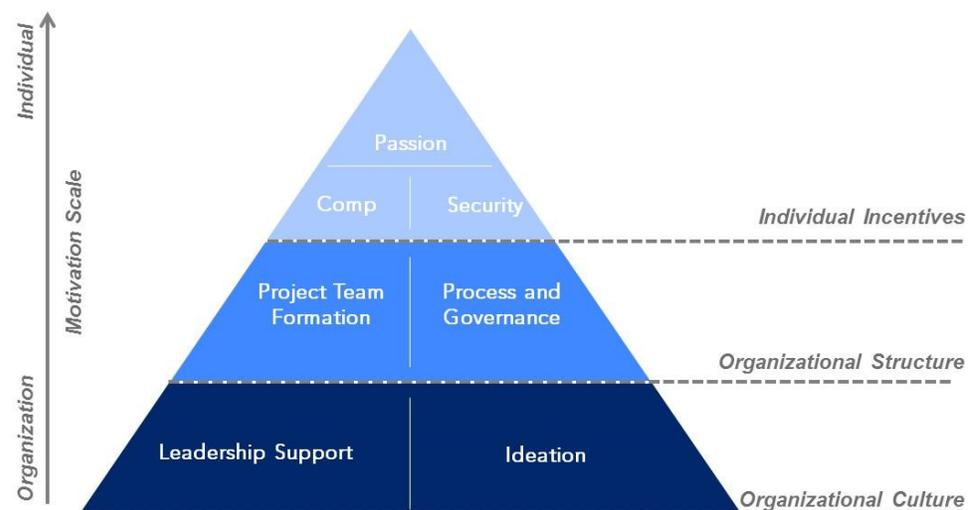
As established companies look for ways to be more innovative and grow through the launch of New Products and Services, they seek to emulate start-up companies by rapidly developing new concepts while taking advantage of existing capital and resources to ensure a flawless launch.

Acquis Consulting Group has helped companies across the product lifecycle, companies both large and small, with varying resources and appetites for change. Working with both established enterprises and budding startups, we have found there are several recurring themes involved with developing new products where startups often thrive and established companies tend to falter.

We reached out to several executives working with innovation in their companies to learn their perspectives. In this paper, we will share some of their insights and dig deeper into the building blocks required for successful innovation:

1. Organizational Culture
2. Organizational Structure
3. Individual Incentives

Acquis Organizational Innovation Pyramid



Organizational Culture

In a large corporate environment, the culture of an organization often becomes the largest barrier to the success of a new venture.

The foundation for innovation is a company's organizational culture. A culture that does not support the creation and pursuit of new concepts will never be successfully innovative over a sustained period of time. Internal politics, competing agendas, and limited access to senior leaders in a large company can quickly become barriers to the success of a new venture. However, these obstacles can be overcome by focusing on the two primary elements of Organizational Culture that are keys to Innovation: Leadership Support and Ideation.

Leadership Support

A leader's primary role in the innovation process is to set a clear direction and vision, and then give the team space and time to progress. We have found in many organizations that a lack of clarity about leadership's vision stalls progress. Vagueness can lead mid-level management to focus on their own strategies, and can cause conflict between teams with different interpretations of the vision. Not only are precious resources wasted, but employee frustration mounts when teams make progress on activities only to discover they haven't been tackling problems that leadership supports.

When Steve Jobs returned to Apple in 1997, he challenged his team to focus on four great products; all other projects were to be cancelled. According to Jobs, "Deciding what not to do is as important as deciding what to do. That's true for companies and it's true for products."¹

One way leaders can ensure teams are working on the right projects to achieve their vision is to develop a robust Product Portfolio Management methodology. Deploying a methodology that includes a process for evaluating all potential projects to ensure they align with organizational, strategic, and financial goals is the key to developing a balanced portfolio—one that supports existing products and allows for new product innovations.

Once a vision has been clearly communicated, teams need regular checkpoints to ensure they are on the right track. However, progress will grind to a halt if leadership intervention is required for every small decision. Micro managing causes bottlenecks when a leader is unavailable for decision-making, and worse, a lack of ownership from the team as they are left feeling powerless and passionless.

If your company is struggling to innovate, consider:

- Does your team have an efficient Product Portfolio Management methodology for prioritizing investments and activities?
- As a leader, have you established a clear vision, ensured your team is aligned to it, and given the team enough space to make progress?

Ideation

It is critical that organizations have a method for allowing their employees to raise new ideas and a process for collecting and pursuing those that are on strategy and have merit. Without such a process that engages employees and pushes them to

When teams are provided with an organized process to share and vet their ideas they tend to naturally embrace innovation in their everyday activities.

¹ Source: <http://hbr.org/2012/04/the-real-leadership-lessons-of-steve-jobs/ar/1>

take a break from their routine, they will commonly become focused on the immediate tasks in front of them and not get a chance to think about big new ideas. Over time, a well-defined and ongoing process will become intuitive to employees who will naturally begin to embrace innovation in their everyday activities.

For example, the leaders of a mid-sized airline would have monthly meetings with the flight crew to understand the concerns and suggestions the crew heard from customers. This was a cost-effective way to get honest customer feedback and ideas from their staff simultaneously.

The leader of an innovation team who successfully opened the flood gates and invited all members of the company to share their new ideas recommends guidelines as part of the process: "A broad, open-ended question is not as successful as asking for ideas within a specific area. The boundaries help constrain the creativity and result in more productive ideas."

Once ideas have been generated, it is important there is a clear process to pursue them. Far too many stories of corporate failure begin with the staff member who had a great idea, but who kept it to himself because he didn't know what to do with it. All employees should know what to do with their ideas and there needs to be a process by which they can be vetted, pursued, and in many cases, killed, if they aren't viable.

If your company is struggling to innovate, consider:

- Is there a clear method by which employees can raise their new ideas and for those ideas to be validated and pursued?
- As a leader, have you made it clear to your team that you want and value their innovative ideas?

Organizational Structure

Innovation doesn't stop once you have an idea; the delivery and execution of a product have a huge impact on its success, and it is often the project team and leadership responsible for executing a concept that have the greatest influence on a product's success.

Project Team Formation

Once ideation has occurred and the new product concept has been refined, it is time to hand it off to the commercialization team responsible for the later stages of the innovation process: development, production, training, etc. There are risks inherent in this transition. The commercialization team needs both the necessary knowledge of the concept and a sense of ownership to ensure they have the passion for pursuing an idea they did not incubate themselves.

One successful tactic is to ensure continuity and collaboration between the innovation and commercialization teams. Engagement from leadership and team members with a role across all phases of the product development process helps a team retain its knowledge and passion through to the eventual launch.

When deploying this approach, it is necessary to clearly define the roles and responsibilities of all team members. One executive in the design industry has seen teams fail "where too many people were in charge, and therefore, decisions were always made by a committee. This doesn't always result in the best end product."

Although proper transition and consistency in ownership is important, clarity of leadership and accountability is just as vital.

If your company is struggling to innovate, consider:

- Does your product team structure ensure transitions of both knowledge and passion across product development project phases?
- As a leader, do you remain engaged with the product team as the idea crosses from concept to developed product?

Process and Governance

The policies and procedures an organization follows as a product moves from the Concept stage through Launch should include everything from how it determines which initiatives to invest in (Product Portfolio Management) to how oversight is provided throughout execution (Governance Methodology). We have found that organizations tend to fail in three key areas related to process and governance.

First, and most fundamentally, it is necessary to establish a process. Having an established process for vetting and reviewing projects as they move through the product development process ensures that projects are aligned with corporate goals, are well understood by the team, and appropriately organized before significant resources are expended.

Second, it is important to communicate the process clearly so the team knows what is expected of them and what the key inputs and outputs are from each phase. A common methodology that many organizations use, and that Acquis helps integrate into our clients' infrastructures, is a Phase Gate approach. The Phase Gate Approach allows an organization to review progress after each phase of product development and make a go/no-go decision or correct course before the product moves to the next phase.

Third, the process must be robust enough to provide opportunities to course correct or kill failing projects, while allowing for sufficient agility that the process doesn't stifle the very innovation you seek to create. Many organizations find a good balance by pursuing an iterative development approach where each iteration progresses to a near-term, concrete goal. An executive in the design industry agrees that this can allow for more agility: "Once the team accepts that the progress will be iterative, they are willing to try new things and stretch themselves; they can get enough of it right and then work on another iteration."

If your company is struggling to innovate, consider:

- Do you have an established process for monitoring in-flight initiatives that allows you to make go/no go decisions and course correct?
- As a leader, have you established a clear governance process that allows for an iterative process and regular checkpoints with the team?

Individual Incentives

Once organizational culture and structure are aligned, the focus shifts to individual incentives. In order for an organization to become truly effective at innovation, employees must feel comfortable taking risks, understand the potential rewards for their hard work and dedication, and most importantly, feel passionate about their objective.

Security

Being more innovative inherently implies accepting additional risk. In a start-up

environment, risk taking and the associated lack of job security is something that employees accept as a fundamental part of the job. The significant reward of building something new and hopes for the increased compensation that can come with it justify the risk.

In large companies this equation is often more complex, as an employee's peer may be working on an operational aspect of an existing product or service and therefore not taking on the same increased risk of failure.

Leaders need to recognize that fear rarely drives success. Employees must be comfortable taking risks and being transparent when a new concept is not bearing fruit. Rather than driving success, fear often causes employees to sugarcoat issues, which in turn causes an organization to invest more resources into an idea that should have been killed. Only when leaders have established the right level of trust with their employees can the struggles and resulting iterations that lead to important pivot points in the model be given a proper chance to play out.

If your company is struggling to innovate, consider:

- Does your team often downplay significant issues and risks to avoid difficult conversations that may lead to ending a project?
- As a leader, have you ensured that your team knows there will be new ideas for them to work on if the current one is not pursued further?

Compensation

Individuals drawn to Product Management or Product Development roles need to be motivated in different ways than more operational employees. As such, it is necessary to think differently about the way they are compensated. In order to further innovative ideas, product leaders need to take greater risks and should be rewarded for this effort.

At the onset of key product initiatives, leadership needs to consider how they define success and develop a plan for rewarding members of the team for helping to achieve it. There are many ways that employees can be rewarded, both financially and non-financially. Leadership must understand what will be motivating to their team members, and that can vary as widely as recognition, a new title, new responsibilities, financial benefits, or even equity.

In many organizations, leadership avoids questions of incentives at the onset of an initiative and hopes the team will be motivated by the expected benefits of success. This lack of clarity usually leads to miscommunication, unmet expectations, and a lack of the desired motivational impact. It is much more effective for leadership to be clear about what the benefits of success will be with each team member in advance.

Acquis Subject Matter Expert, Doug Locke, emphasizes the importance of establishing an operative incentivizing model and clear governance in the front of every new product development process: "In our work with executives, we see a similar set of problems when launching new products, services, or entities. The leadership team often seeks to do something bold and all too often assumes that their passion and commitment is transportable to the team that they entrust with execution. This is a critically flawed thought process. The disconnect starts with basic needs like buy-in and basic understanding, often extends through execution due to varied context and skills of the execution team, but is ultimately and tragically mired by a lack of incentive alignment. Most organizations essentially defer on issues like defining what success and failure means for the individual, the

The leadership team often seeks to do something bold and all too often incorrectly assumes that their passion and commitment is naturally transportable to the team that they entrust with execution but ensuring focus from your team takes clarity, dedication and focus from

team, and the organization. This promotes delay, poor execution, and all too often, failure.”

If your company is struggling to innovate, consider:

- Are the individuals on your product teams clear about how success or failure is defined?
- As a leader, have you made decisions about how you will compensate key employees at the onset of an initiative and effectively communicated it to the team members?

Passion

Leaders often overlook that employees' primary motivations are typically a feeling of accomplishment and having performed their best work. Put people in roles to focus on what they are passionate about and you'll get more done than simply trying to throw money or other perks at them.

The role of a Product Development team is demanding and often requires that the team go the extra mile, working evenings and weekends, or forgoing vacations. Compensating employees for this extra effort can certainly help, but to help them harness their personal drive and maintain full engagement, it is crucial they be truly passionate about the idea and the team's success.

Every individual's passion is fueled differently. For some it is competitive drive, for others it is seeing the idea come to fruition, and for others it is not letting their team or manager down. The key is learning what each employee is passionate about and ensuring that you've positioned him to focus in the right way for that passion to fuel his work.

One executive who successfully integrated a governance staffing structure to maintain employee passion suggests creating “four or five person teams so that there is less pressure around individual failure and more focus on long-term product development, and choose people who are passionate about the idea at all levels of the team.”

If your company is struggling to innovate, consider:

- Does the company cater to the passion or incentive needs of critical employees and are such plans documented?
- As a leader, have you spent time understanding what each of your key employees is passionate about and have you considered that when assigning the roles on teams?

Summary

Established companies must learn to innovate in order to survive in today's world. Leaders need to create a culture of innovation by encouraging new ideas and creating a framework to ensure they align with the organization's goals. The employees involved with new product development need to have clear processes to follow, as well as the autonomy and passion required to be successful.

Acquis Consulting Group's New Product and Service Development practice focuses on helping companies more effectively plan, develop, and launch new products and services to the marketplace. We help organizations strengthen their

new products and innovation processes, and have experience in both Product and Program Management. Please contact us to discuss any questions you may have about this article or to discuss your company's specific needs.

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About Acquis Consulting Group: New Product and Service Development Practice

Acquis Consulting Group is a boutique consulting firm specializing in strategy and implementation. We help ambitious companies solve business challenges that enable sustainable growth and operational efficiency. Acquis was founded in 1998 and is based in New York City.

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