

the **innovation** imperative

**Many companies say the word
“**innovation**” a lot, and hope that
good things will happen as a result.**

**They may even put the word
“innovation” in a few peoples’ job titles,
and expect them to make thousands of
other employees more innovative.**

Very few companies understand that making a real commitment to corporate innovation requires **5 things:**

- 1. Senior-level vision and support**
- 2. Appropriate resources**
- 3. Openness to the outside world**
- 4. A way to measure progress**
- 5. Patience**

**So why should innovation
be a **priority** in 2017?**

67 years: Average lifespan of an S&P 500 company in the 1920s.

15 years: Average lifespan of an S&P 500 company today.

75% of today's S&P 500 will be replaced with new firms by **2027**.

(Source: Richard Foster, Yale School of Management)

Startups around the world are increasingly able to raise \$1B+ to challenge incumbents.



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No need to worry about innovation if you're already on this list:

- 1. Apple**
- 2. Alphabet**
- 3. 3M**
- 4. Tesla Motors**
- 5. Amazon**



Source: "Most Innovative Companies 2016," strategy&

Or this one:

- 1. Tesla Motors**
- 2. Salesforce.com**
- 3. Regeneron Pharmaceuticals**
- 4. Incyte Corp.**
- 5. Alexion Pharmaceuticals**

Source: "World's Innovative Companies 2016," Forbes



Or this one:

- 1. Amazon**
- 2. Baidu**
- 3. Illumina**
- 4. Tesla Motors**
- 5. Aquion Energy**



Source: "50 Smartest Companies," Technology Review

For many companies, the easiest way to innovate is to **buy an innovative, fast-growing startup.**

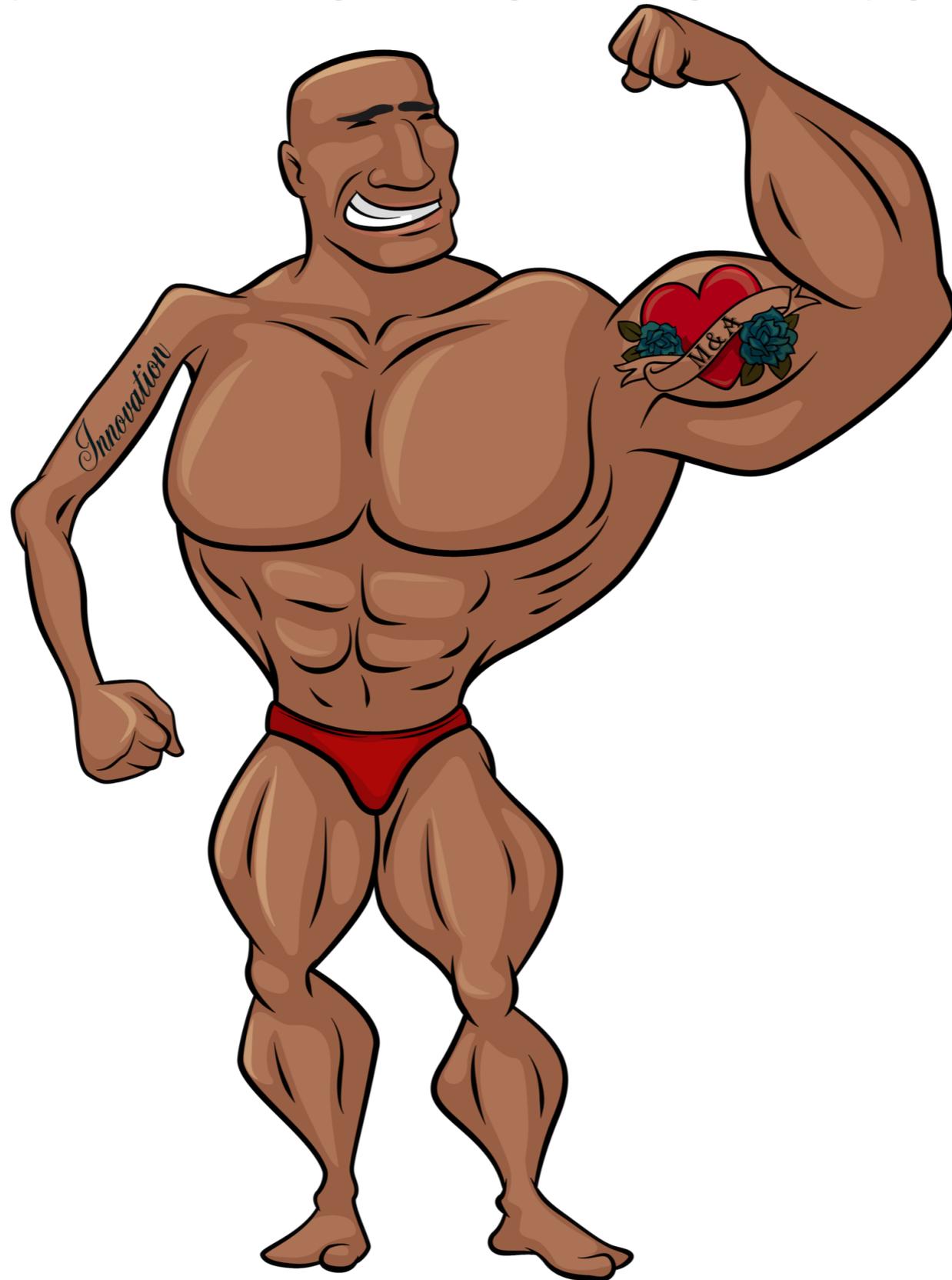


(Unilever paid \$1B for Dollar Shave Club in 2016.)

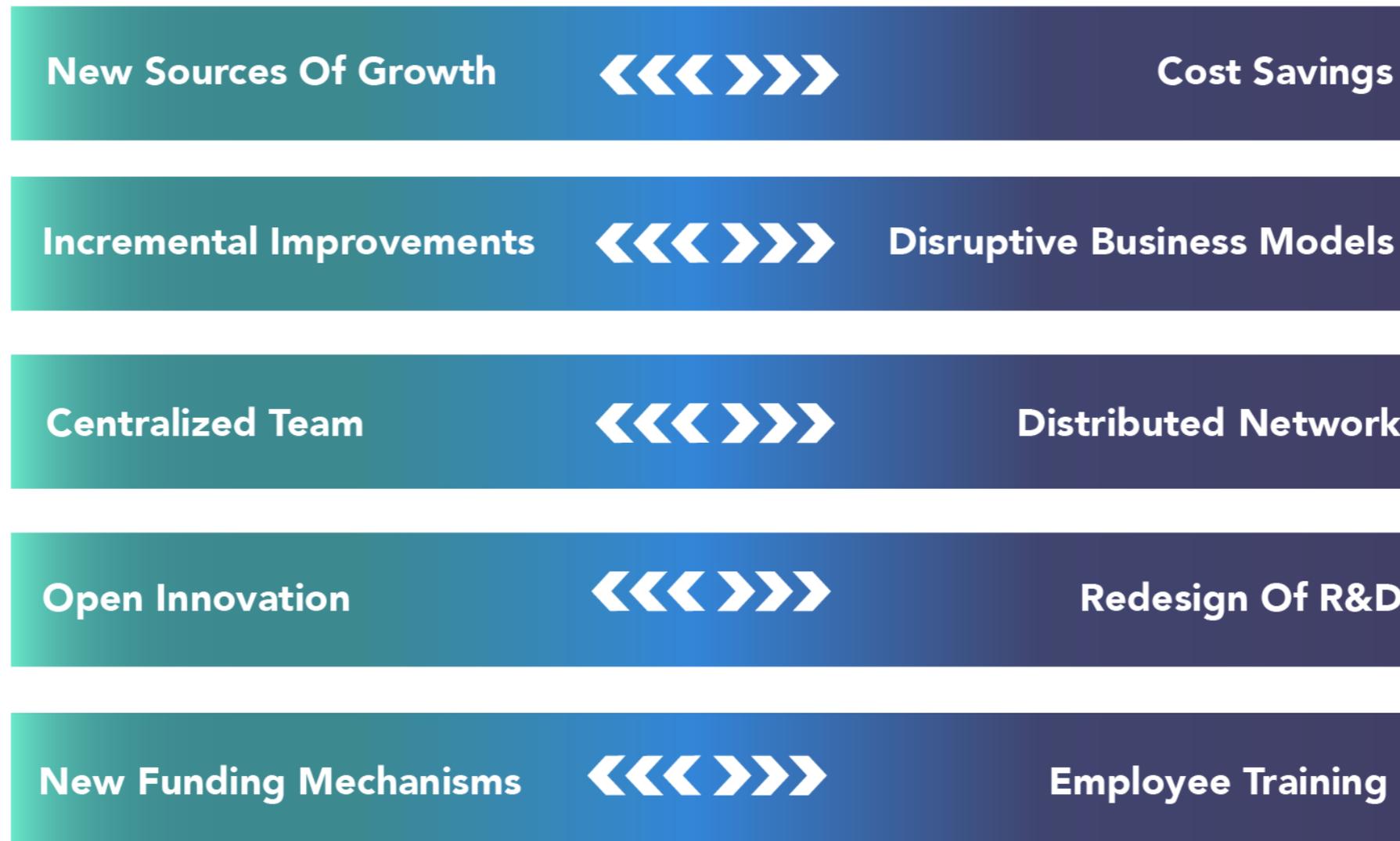
But that short-changes the development of your **own innovation capabilities, like:**

- **Gathering customer insights and spotting market trends faster**
- **Co-creating new products/services with suppliers, customers, startups**
- **Building relationships with the top academic researchers in your field**
- **Training employees in methodologies like lean startup, design thinking, Agile development**
- **Creating a lab, studio, or 'skunkworks' to explore new possibilities outside of the business units.**

At most companies, the M&A "muscle" is far better developed than the innovation muscle.



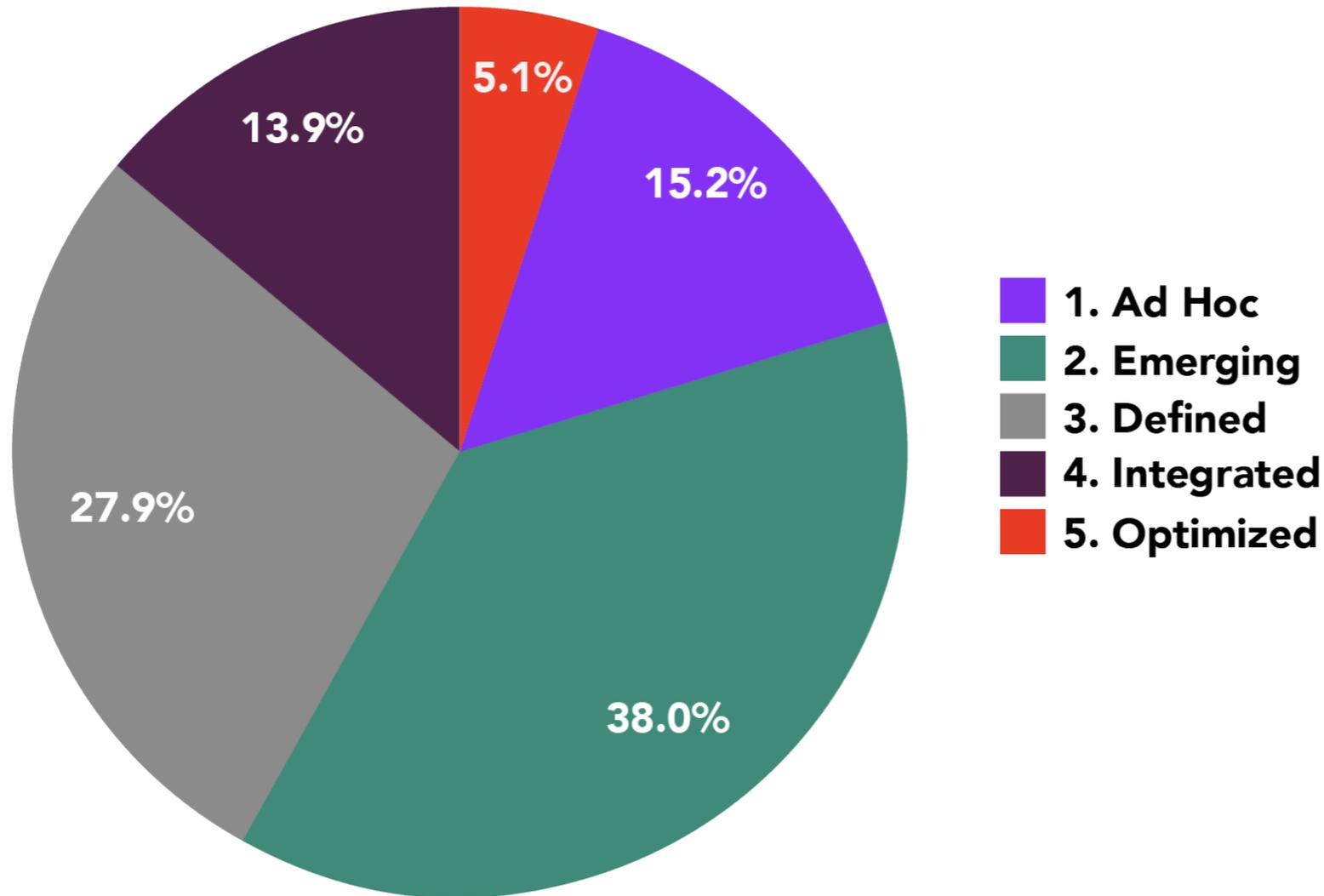
Senior leadership needs to decide what they want when they say "innovation."



There are no bad choices...except trying to do too much at once.

At most companies (53.2%), an innovation effort is still in its earliest stages

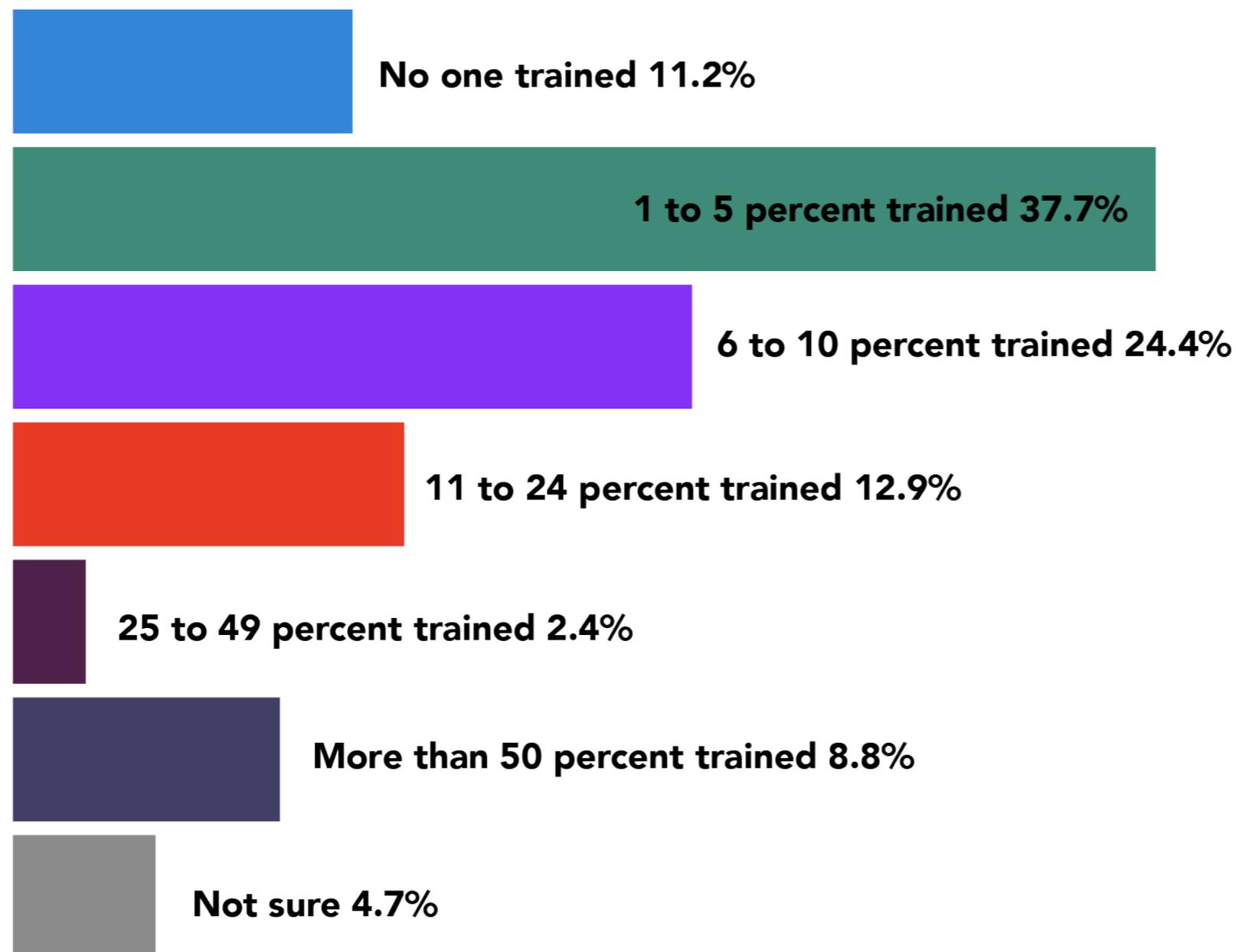
How mature is your innovation program?



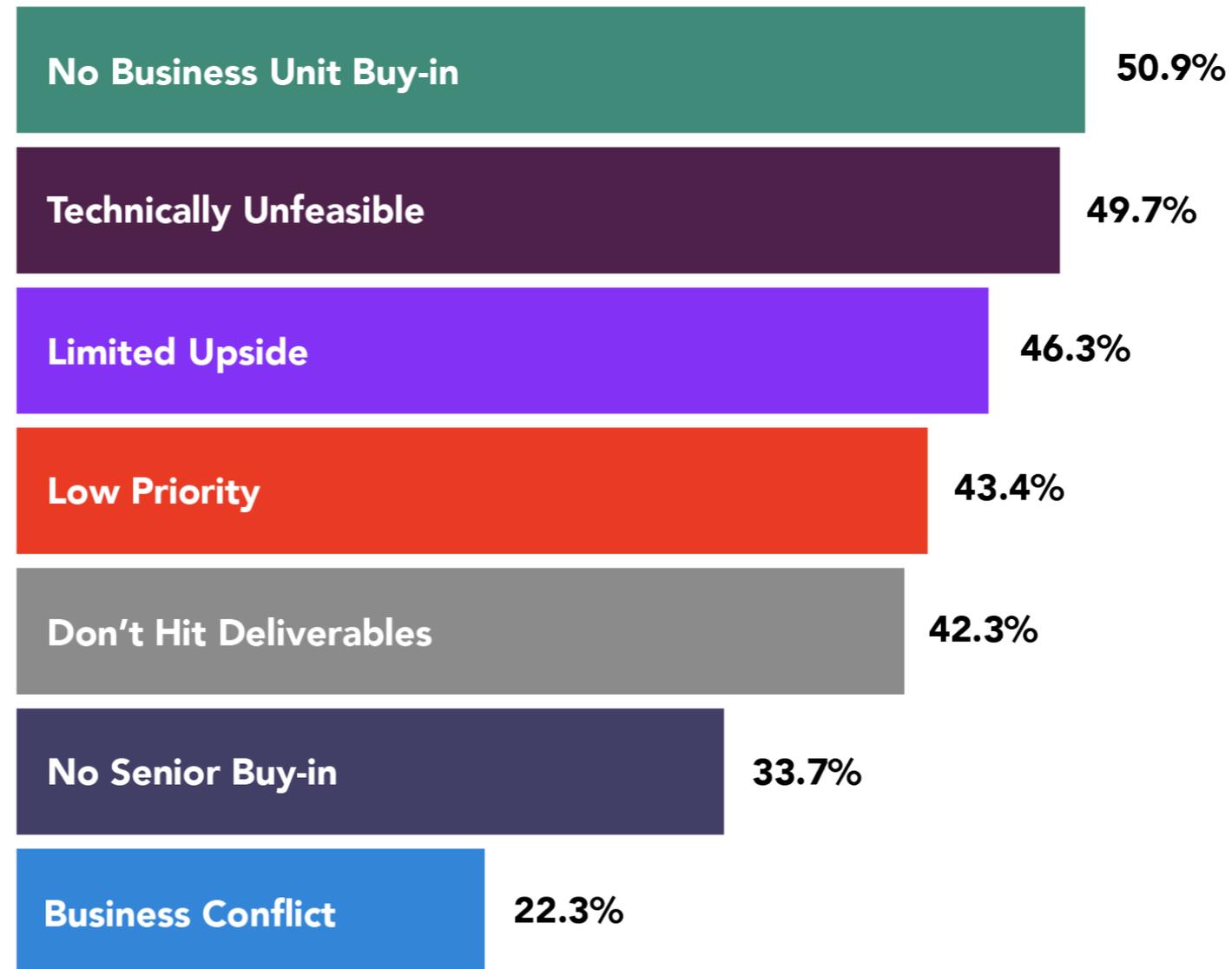
Our 2015 Benchmarking Survey of 197 executives at large companies outlined five phases of “innovation maturity,” from ad hoc to optimized. More than half said their program was in the easiest two stages (ad hoc or emerging.) Just 5.1 percent of companies said their program was optimized, the furthest-along stage. On the more mature end of the spectrum were consumer products and industrial manufacturing firms. Less mature: financial services, healthcare, media.

Few companies are investing in large-scale training on innovation techniques

Percent of staff trained on innovation techniques



Why do new projects get killed?



Total exceeds 100% as many respondents cited more than one reason.

(Reasons #1, #6, and #7 are about poor communication/ relationships with business units and senior leadership.)

How should you be measuring progress?

Many companies get obsessed with tracking what we call **'activity metrics'** (i.e., how busy are you?)

- ...# of ideas generated
- ...# of employees involved in challenges/competitions
- ...# of prototypes at various stages of development
- ...# of patents issued
- ...# of startups screened

But tracking too many metrics can be like:



The best measurement systems:

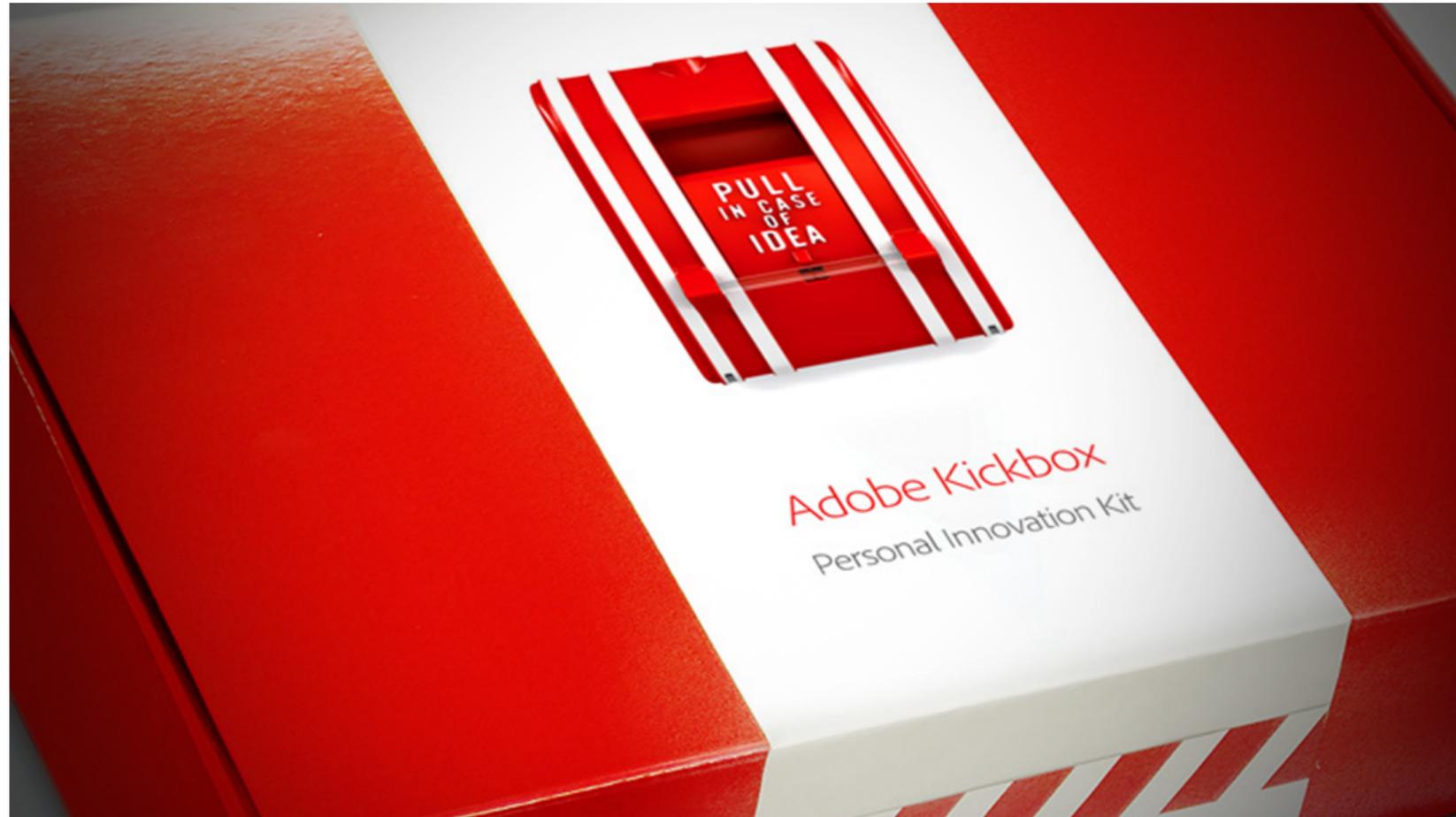
Are designed around '**impact metrics**' – concrete data on dimensions that truly matter to senior management.

- Revenue from new products/services
- Cost reduction/operational efficiencies
- Growth in market share
- Customer satisfaction/retention
- Successfully launching new business models

The benefits that accrue to companies that are the innovation leader in their market go beyond **revenue**, margin, and stock price...

- **Brand value and media attention**
- **Recruiting the best talent**
- **Becoming 'partner of choice' for startups, distributors, resellers, independent agents**
- **Company morale and employee retention**
- **Leverage and 'permission' to innovate more boldly, invest more, enter new markets**

Who's doing it right?



Adobe has created the Kickbox program to teach and empower employees to rapidly prototype their ideas, and test them with customers in the real world.

<http://kickbox.adobe.com>



Who's doing it right?

Nike has a sophisticated process for funding new ideas, determining which should launch in the market, and supporting them with marketing when they do. Recent example: the HyperAdapt self-lacing shoe.

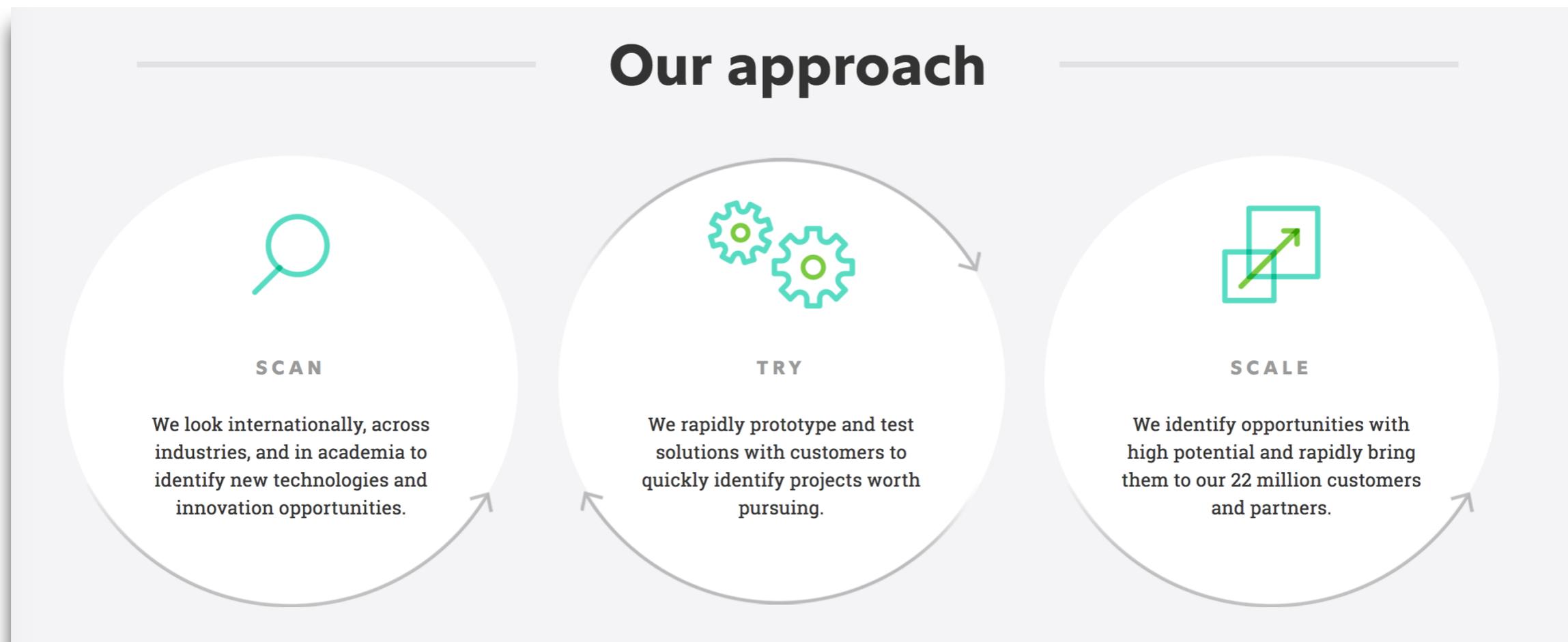
<http://news.nike.com/news/innovation-2016>



Who's doing it right?

Fidelity Labs explores new technologies, like bitcoin, online games, and smart watches, that could affect the way people save and invest. Founded in 1999.

<http://fidelitylabs.com>



Who's doing it right?



Founded in 2007, the General Mills Worldwide Innovation Network looks for advanced technologies outside the company that can help General Mills with future products.

<http://gwin.force.com>

Who's doing it right?



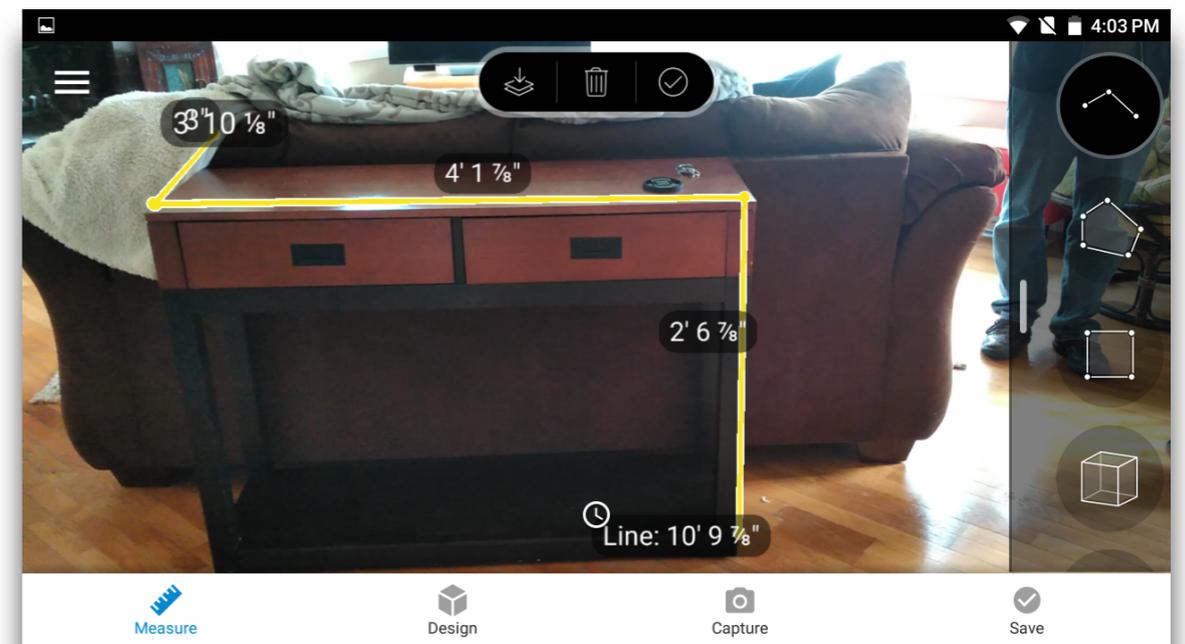
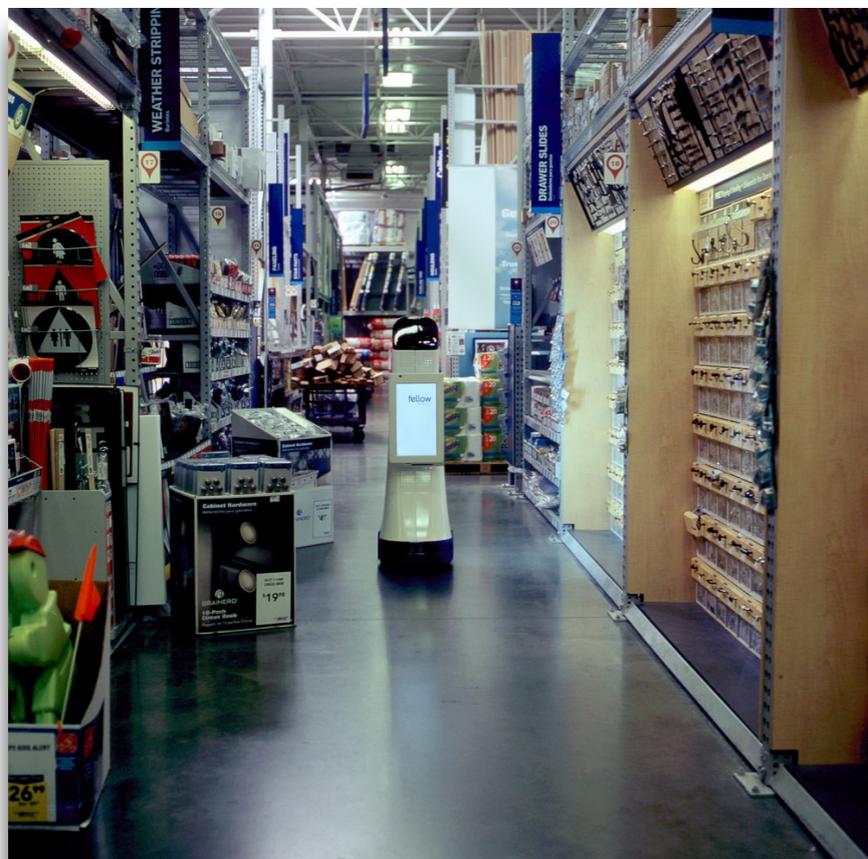
Lululemon Athletica's lab stores, in New York and Vancouver, bring teams of designers close to customers.

<http://lululemonlab.com>

Who's doing it right?

Lowe's has created a network of labs in Seattle, India, and San Francisco to explore "how technology will change the future lives of customers and employees."

<http://lowesinnovationlabs.com>



Who's doing it right?



Snap-on Tools connects with customers multiple times throughout the innovation process, from studying problems to creating prototypes to finalizing design and the eventual launch.

Who's doing it right?



Disney has a CEO, Bob Iger, who seeks to understand the technologies with potential to affect the entertainment business; the company's R&D arm, Walt Disney Imagineering, has been keeping company ahead of trends since 1952.

Who's doing it right?



FirstBuild, created by GE Appliances in Louisville, Kentucky, is a 'makerspace' that invites entrepreneurs and inventors to participate in product design challenges. FirstBuild products have been launched on crowdfunding sites like Indiegogo.

<http://firstbuild.com>

But patience is a challenge for large organizations investing in innovation...

Coca-Cola's Founders program, to create and fund new ventures in partnership with entrepreneurs: 2013-2016



Alaska Airlines' Customer Innovation Team: 2012-2015

Nordstrom Innovation Lab, to develop new retail technologies: 2011-2015

MassMutual's "Society of Grownups," financial education space: 2014-2016

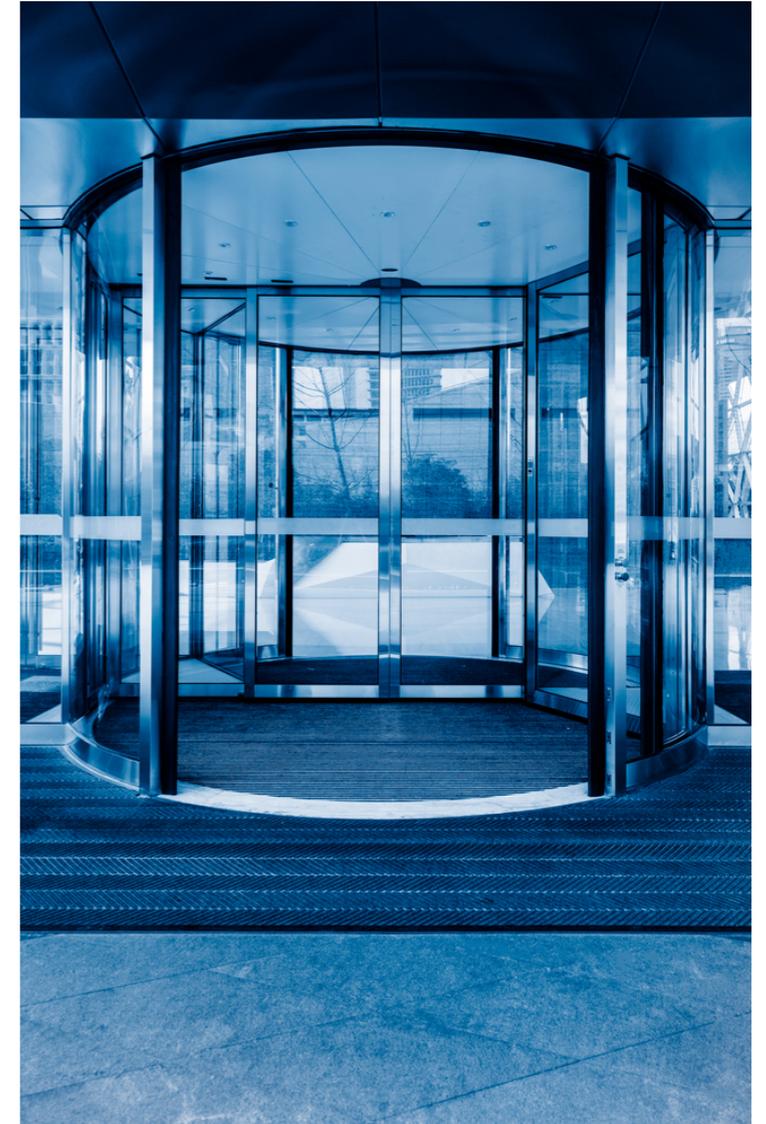
And lack of alignment can prove fatal...



**...whether between innovation and senior leadership,
or innovation and the lines of business.**

Other things that can kill innovation initiatives...

- **Executive champion leaves the organization; strategy changes.**
- **Team tries to do too much at once.**
- **Market pressures: Falling stock price, organizational cost-cutting, increased competition, etc.**
- **Poor staffing choices.**
- **Lack of funding to scale past proof-of-concept/pilot stage.**



Our full list: innovationleader.com/things-that-kill-innovation-initiatives

To conclude, 5 great CEO quotes on innovation...

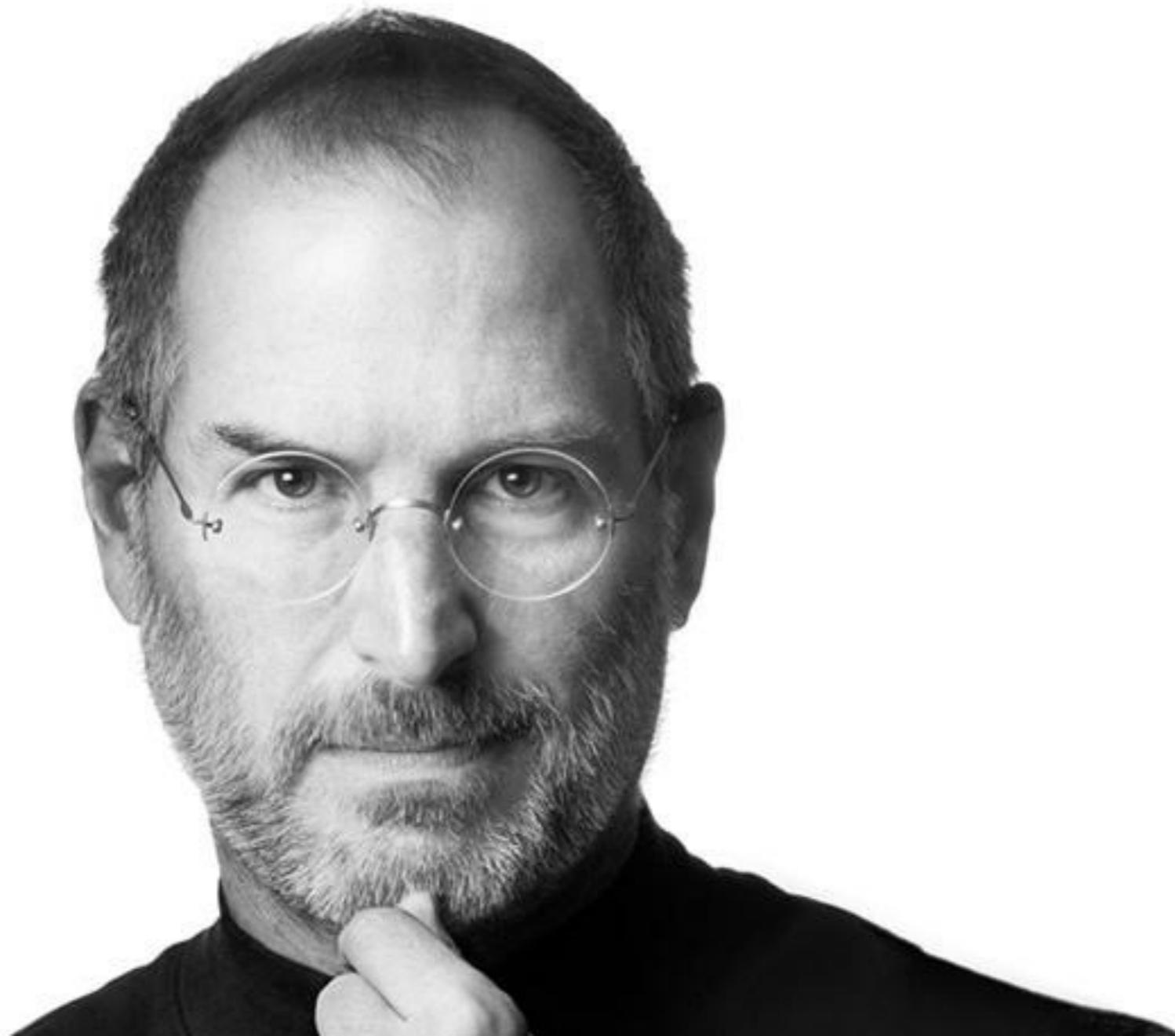


“We’ve had three big ideas at Amazon that we’ve stuck with for 18 years, and they’re the reason we’re successful: Put the customer first. Invent. And be patient.”

– Jeff Bezos

**“Innovation distinguishes between a leader
and a follower.”**

– Steve Jobs





**“Disruption happens.
You have to be aware of
it. But I don’t think it
should paralyze you.”**

– Beth Comstock





**“Failure is an option here.
If things are not failing, you
are not innovating enough.”**

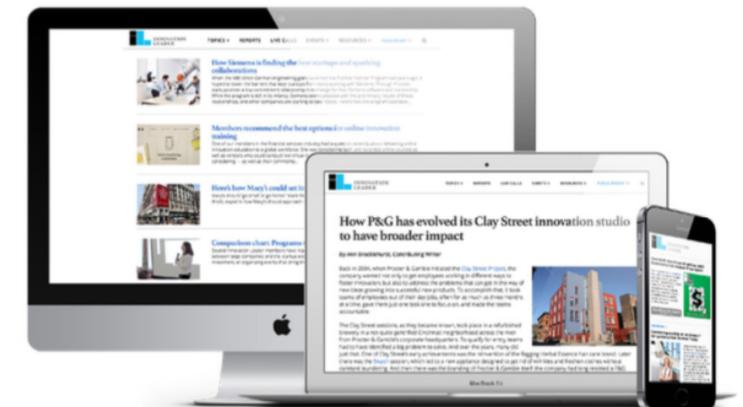
– Elon Musk



“Times and conditions change so rapidly that we must keep our aim constantly focused on the future.”

– Walt Disney

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