

INNOVATION SURVEY RESULTS

How Large Mature Companies Tackle Innovation

Lean Ventures has recently completed surveys followed by in-depth interviews with large companies (> 5K employees) in telecom, utilities and consumer appliances.

One of our aims has been to start a dialogue with the innovation leaders to better understand common challenges and opportunities and how these are currently being prioritized and managed.

Although at the outset we have a rather small sample size of 24 respondents, we believe that we already now can glean some useful insights that we would like to share with you in this report.

We intend to regularly re-publish the results as we keep collecting more data points. If you work with innovation in a large company and would like to participate in this study you'll find the survey at <http://bit.ly/innovation-survey-2016>.

About Lean Ventures

[Lean Ventures](#) is an innovation strategy consulting firm headquartered in Stockholm that provides planning, design, implementation and follow-up of a wide range of innovation projects. We provide coaching, training programs, workshops and interim management to supporting, guiding and leading innovation projects from initial idea to company wide implementation.



1. What is your definition of innovation, and is that a definition that you would say is shared by most people in your company?

Whenever we asked this question we would get a different response.

"An innovation is an invention with a market demand."

"Delight consumers by helping them live a happier healthier life."

"Innovation is creating new experiences that make a marked difference in the lives of consumers and or corporations."

"Implementation of new ideas that create value."

"Creating and capturing value."

and so on....

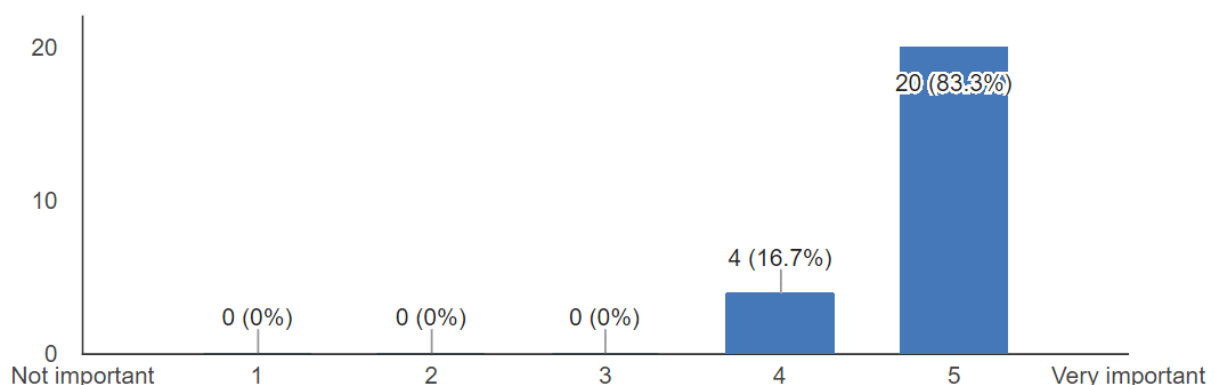


Key insight

Although this was hardly surprising, it points to the importance of defining the meaning of innovation and making sure that it's shared and clearly understood across the organisation. Avoiding to do so will render the word "innovation", or variations thereof, meaningless.

Don't build a *Tower of Babel*, build a common language. Ideas, R&D or patents don't equal innovation, only realised customer value does.

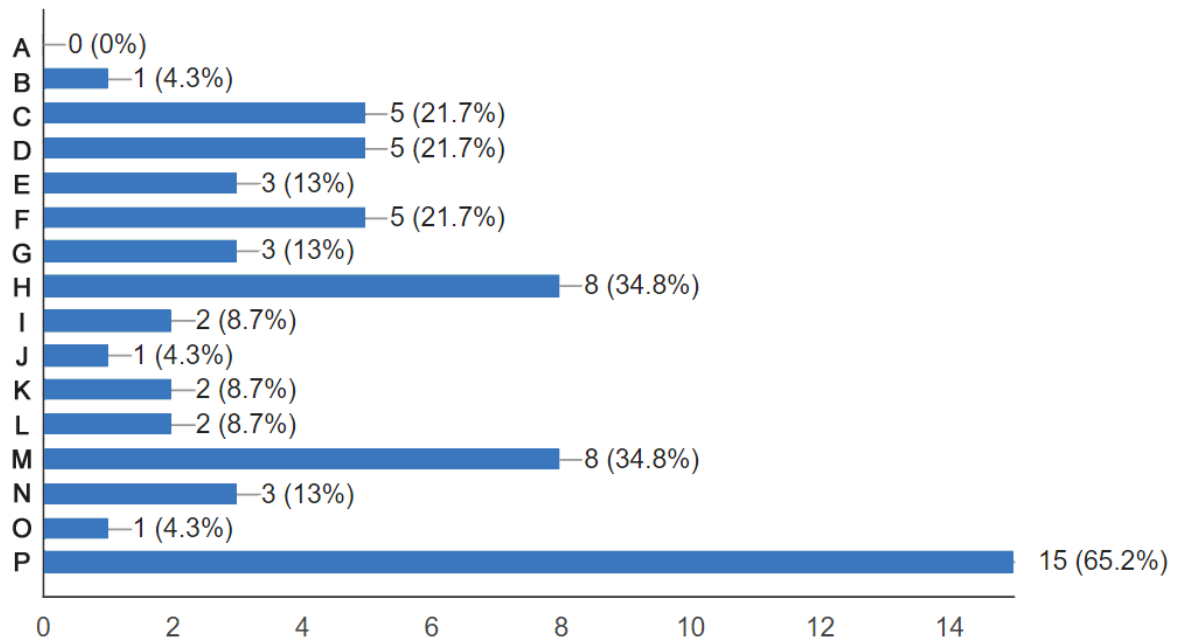
2. How important is innovation to your company for the long-term survival in your industry? 1= Not important 5= Very important



We were of course very happy to see no replies in the lower half. Understanding the importance of the situation is the first step towards taking action. But this begs the question why action geared towards innovation is so difficult in mature companies? The next Q&A may provide some insights.

3. Overall, which are the top three challenges that you see working with innovation in your company?

- A.** Our leadership does not support investments into horizon 1 type innovations (EXTEND & DEFEND CORE BUSINESS: 0-2 years).
- B.** Our leadership does not support investments into horizon 2 type innovations (BUILDING EMERGING BUSINESS: 2-5 years).
- C.** Our leadership does not support investments into horizon 3 type innovations (MOONSHOOTS: 5+ years).
- D.** Projects that start out as horizon 2 or 3 are often re-scoped to focus on enhancing operational efficiencies.
- E.** Line managers are asked to handle horizon 1, 2 and 3. There are no dedicated full-time teams focusing on horizon 2 and 3 type innovations.
- F.** We have several people working with "innovation" but we lack the "Chief Innovation Officer" role that prioritizes, coordinates and facilitates our overall innovation efforts.
- G.** We lack a measurable innovation strategy that is aligned with the overall business strategy.
- H.** We are ok at ideation but lack the resources and commitment to test and scale these ideas.
- I.** We don't get adequate training in how to organize and run innovation projects.
- J.** We don't believe that innovation is a discipline that can be taught or learnt.
- K.** We lack the tools and methods to innovate.
- L.** We lack the incentives to innovate.
- M.** Our culture is inherently risk-averse.
- N.** We don't know how to measure innovation.
- O.** We don't have easy access to the talent required to innovate.
- P.** OTHER



Besides "Other", the two that stood out were:

H. We are ok at ideation but lack the resources and commitment to test and scale these ideas.

M. Our culture is inherently risk-averse.

Here are some of the responses provided under "Other".

"No budgets."

"No burning platform."

"We don't hire people who are willing to take risks."

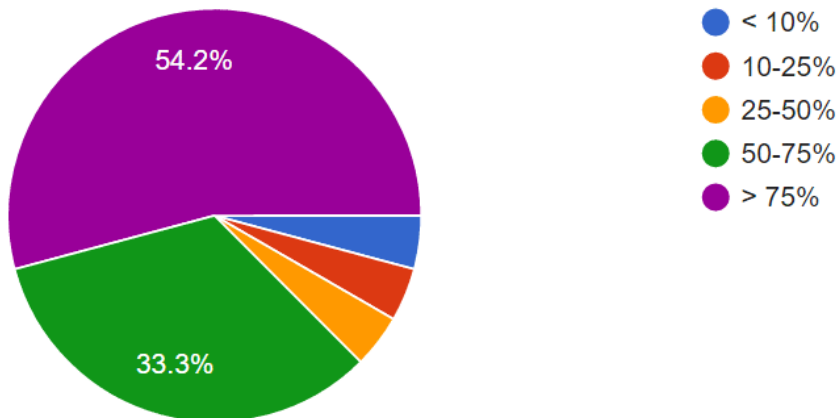
"Hackathon amnesia - inability to absorb results of innovation."



Key insight

It's interesting to see that the challenges are so widely distributed. One surprise to us was that **"J. We don't believe that innovation is a discipline that can be taught or learnt."** only got one response. This is of course good news, meaning that corporations are maturing in the way they view innovation. Moreover, before applying tools and methods to address the challenges, it may be wise not to assume knowing up-front what the perceived challenges are.

4. How much of your time is spent on working with innovation compared to "business as usual"?



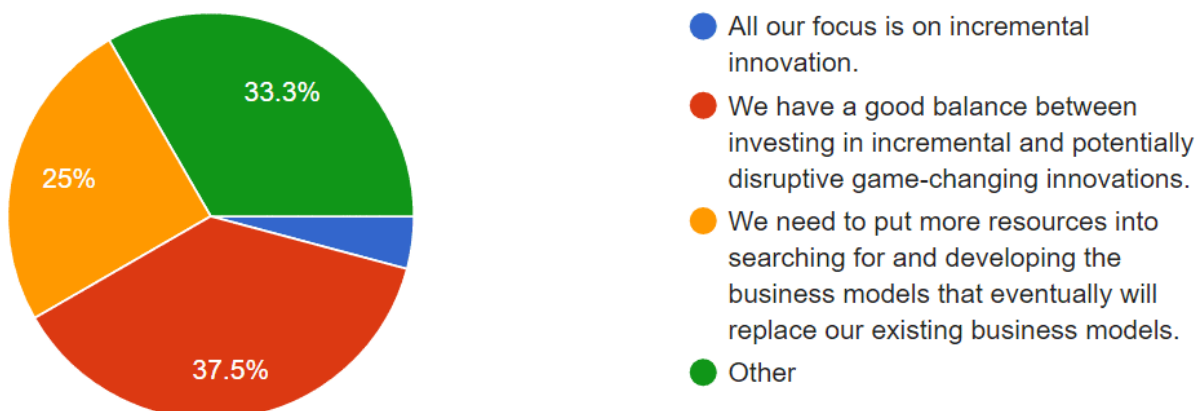
Only a little more than half of those asked (remember these are people who are responsible for driving innovation in their organisations) replied that they spend 75% or more of their time on innovation.

Key insight



In our view, innovation should not be a part-time job. One way of seeing if someone means what they say, is to prompt them for some form of sacrifice, or as the old proverb goes "walk the talk". To say that innovation is of great importance, and then ask a line manager who is responsible for core operations, to also engage in "break-through innovation", is not to walk the talk.

5. How much of what your company does today would you describe as potentially "disruptive game changing" innovation and how much is focused on "incremental" innovation?



25 percent of the companies that we asked think they are not doing enough to discover and build business models that eventually will replace today's business. At the same time we are sceptical that those who said that they have a "good balance"

actually have a way of measuring this. Under "Other" we got replies that point towards 25 percent being a low estimate:

"Strategy is transformational but the majority of funding still goes into incremental innovation."

"Potentially disruptive innovation is not something we seem to worry much about on a daily basis."

"20/80."

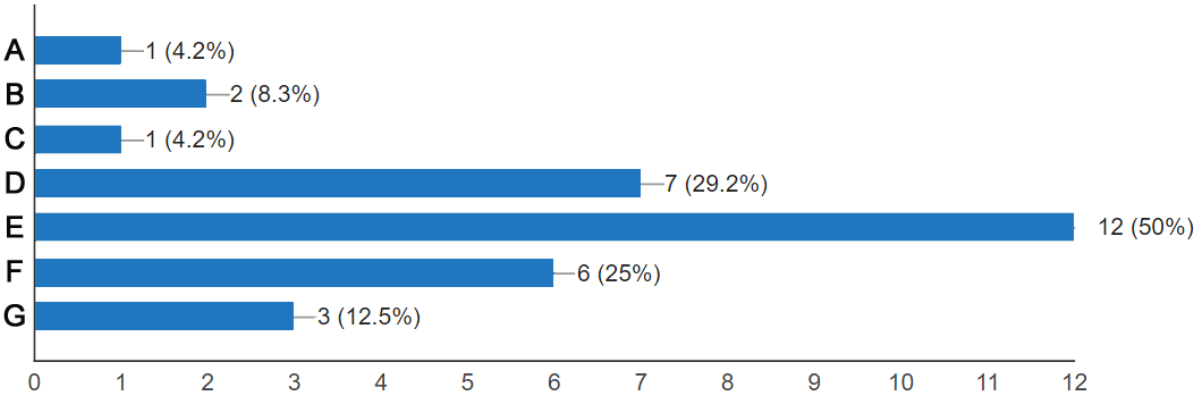
Key insight



To strike an effective balance between "milking the cash cow" and investing for the future is perhaps the most important question for senior leadership today. We believe it's more important to the long-term survival of the company than tinkering with dividends or share buy-backs, neither of which add any customer value.

6. Who are responsible for disruptive "game-changing" innovation at your company and who do they report to? Please note that this question DOES NOT pertain to incremental innovation.

- A. We don't have anyone who works full-time specifically with innovation
- B. The responsibility for innovation lies foremost with our R&D department.
- C. The responsibility for innovation rests exclusively with our CEO.
- D. The responsibility for innovation is shared across our heads of departments and line managers
- E. We have a full-time "innovation team" that reports directly to the CEO.
- F. Everyone at our company is responsible for innovation and they report to their respective line managers.
- G. Other.

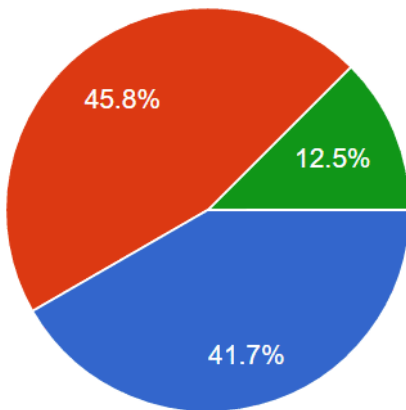


Key insight



It's encouraging to see that half of the respondents replied that they have a full-time innovation team that reports directly to the CEO. Answer **"B. The responsibility for innovation lies foremost with our R&D department."** is no longer enough on its own to address the fast-moving and increasingly competitive environment that most companies face today.

7. Does your company have an innovation strategy that is aligned with the overall business strategy?



- Our company has both a business and an innovation strategy that are aligned.
- We are experimenting with various initiatives that currently are not aligned with the overall business strategy.
- We lack a measurable innovation strategy.
- Other

More than 40 percent of respondents say that they have an innovation strategy in place that is aligned with the overall business strategy. Under "Other" we got replies in line with:

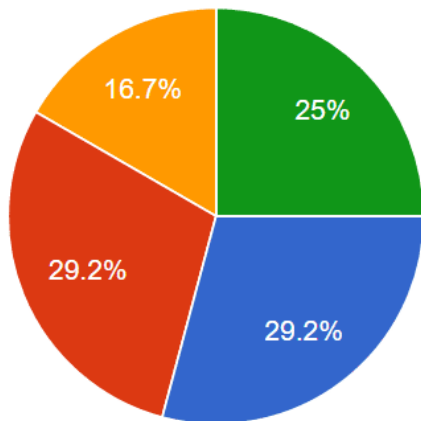
"The innovation strategy is clear but our organizational structure still needs to be adjusted to fully support and drive it."

Key insight



Several are still struggling to get a structure in place to fully support and drive innovation. Given that so few are excelling at innovation we believe that this represents a tremendous opportunity. We like to view innovation as a huge market with a great growth potential. Given what we see and hear, that market is still wide open for the taking.

8. Has your company developed metrics to measure innovation? How do you know if your innovation projects have succeeded?



- Yes, we have innovation metrics that are separate from the metrics we use to measure our core business.
- Our company applies the same metrics for innovation projects as for our core business, e.g. ROI, IRR, NPV...
- We don't measure our innovation projects.
- Other

Almost half of the companies either don't measure innovation, or they apply the same metrics for "business as usual" as they do when working with innovation. Here are some of the responses given under "Other".

"We have inadequate measures for project delivery speed, number of patents, etc."

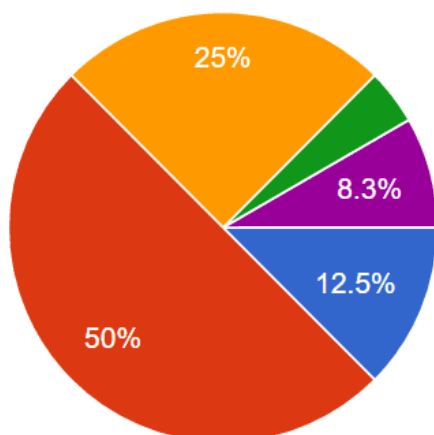
"Innovation is integrated in the core business, and hence the same model (Balanced Scorecard) is applied".

Key insight



Although the Balanced Scorecard is an excellent tool for strategic alignment across an organisation, it provides no clear guidelines on how to measure innovation. Applying the same KPIs for innovation projects as you do for "business as usual" is like asking a five-year-old to carry a 50 pound backpack when you go hiking. The child has great potential but don't expect it to perform like you do on day one.

9. Does your company have an incentive structure in place that supports innovation?



- Yes
- No
- We're working on it
- Don't know
- Other

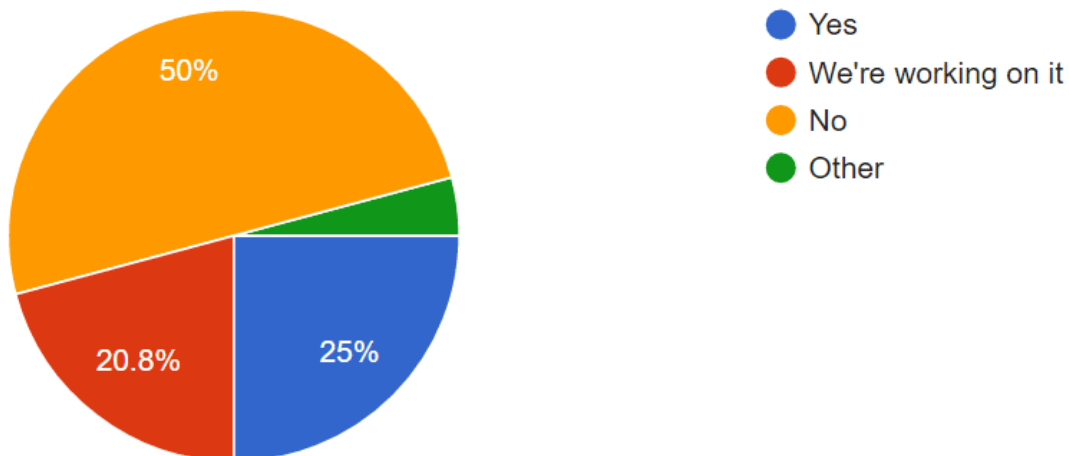
Getting an incentive structure in place that supports innovation seems to be a big challenge. This harks back to the widespread lack of understanding, or misunderstanding, of how innovation can be measured. Unlocking the interplay between metrics and incentives holds the key to tremendous value creation.

Key insight



Every high performing company that we have come in contact with excels at measuring a few actionable metrics rather than measuring everything just because they can. They also have an incentive structure in place that is tightly aligned with the few metrics that really matter.

10. Does your company have an innovation training program, train-the-trainer or an innovation academy in place?



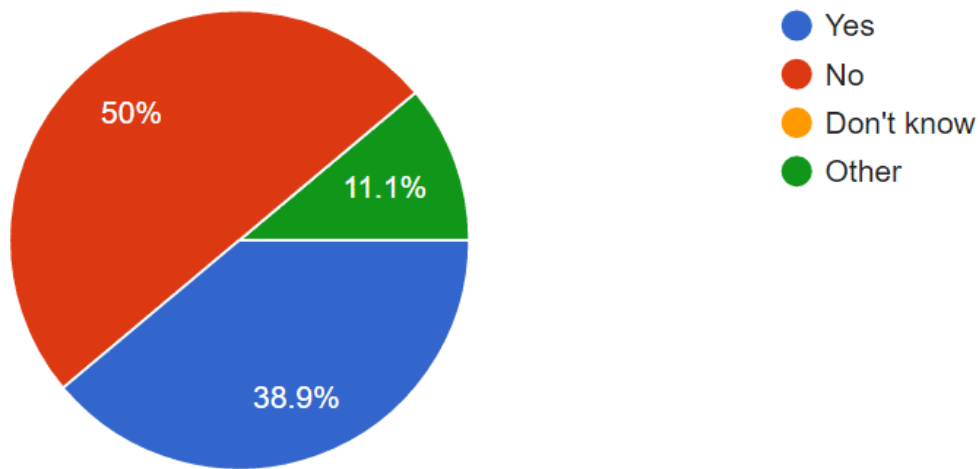
It is perhaps interesting to compare the large number of respondents who believe innovation is important or very important (question 2) with the actions taken to walk the talk. With half the respondents lacking an innovation training program, there seems to be a disconnect between what senior managers say and what they do when it comes to innovation.

Key insight



Although innovation has evolved from being a "black art" to a discipline with a deep academic and practical rigour filled with proven methods, tools and use cases, there is still much to do to transfer this knowledge to large companies. It is our strong recommendation to stop wishing for miracles and instead start mastering innovation as a discipline.

11. Does your company use an online collaborative platform for ideation and/or innovation?



Only half of the respondents use an online collaborative platform for ideation and/or innovation. Replies under "Other" were:

"We have developed our own digital idea box."

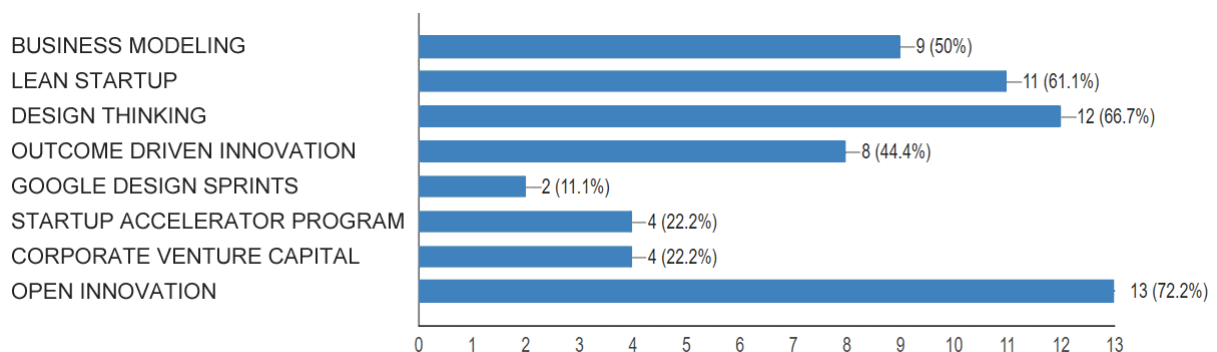
"We have internal forums for innovation".



Key insight

There are many online collaborative platforms for ideation and/or innovation on the market today. Everything from digital idea boxes for harvesting ideas developed inside the company to open innovation platforms that draw from the collective knowledge of large specialized groups outside of the company. Any company that takes innovation seriously should use a digital platform for ideation and idea development that works for them.

12. Which of the following innovation methods or models do you use in your company?



Business modeling, lean startup and design thinking is gaining ground in large companies, with jobs-to-be-done playing "catch up". "Open innovation" being an umbrella term for so many different aspects of innovation, naturally gains the upper hand also in this survey.



Key insight

The discipline of innovation is deep and the tools and methods plenty. Although cutting through the complexity to find what works for you may be a challenge, we advise against giving up too easily by blaming the tools and methods instead of developing a better understanding of their proper application. I have further developed this line of thought in this article: "[5 Critiques of Lean Startup and Why They Don't Hold Up](#)".

13. Which are your biggest doubts, constraints or challenges when it comes to hiring external expertise to support in the planning, development and implementation of your company's innovation strategy?

"They lack business model understanding."

"No budget to hire the absolute best capable of delivering true innovation."

"A fear that the Consultant will provide only Power points, and that it is hard or impossible to implement the recommendations."

"The adoption of outside expertise by the majority of people working in "Business as usual". Break-through innovation is not 'separated out' but expected to be 'organic' - question is if we will be able to manage the needed change, in time to be competitive."

"That external experts apply generic innovation models like some of the above mentioned, without taking into account which model would fit our culture and needs specifically. In general my view is that there is an over-emphasis on these models. If you have an innovative mindset and are willing to take risks, you don't need to be an expert on any one single model in order to succeed."

"Humanists teaching engineers - they don't speak the same language and fail to understand each other."

"External expertise is often a lot of talking and little action, concrete prototypes or processes. It often means a lot of money goes out of the company, and a lot of work comes into the company, without resulting in tangible benefits for the company or our customers."

"The management has no interest in hiring external expertise. They want to do this themselves."

"The time it requires to explain the concept, how we work and introduce to existing landscape."

"Not invented here syndrome."

"We are convinced that our long-term innovation capability 'must come from ourselves, from the inside' - based on the superior knowledge about users, use, markets and applications."

"Lack of confidence in the output and how useful it would be for our business units."

"The cost of hiring external expertise and maintaining confidentiality. "

"Hard to find people with experience of delivering corporate innovation."

"Lack of understanding of our business, hence they come up with too general ideas that will still need a lot of work to be applied."

"Unable to scope timelines and milestones."

As consultants / advisors / coaches / mentors / facilitators we should:

Key insight



- take responsibility for delivering measurable results that address our clients jobs-to-be-done rather than completing "activities" that add no value, or "reports" that leave people hanging.
- understand our client's business model and specific circumstances before launching into recommendations and next steps.
- accept that "culture eats strategy for breakfast", i.e. avoid force fitting prescriptions that the inherent DNA will reject. Instead focus on aligning metrics, budgets and incentives.
- show the value of excelling at the practical implementation of proven innovation methods, tools and tactics rather than trying to re-invent the wheel, or allowing the muddling of concepts or half-hearted applications thereof.

NB: The percentages are shown against population, not number of respondent. This in addition to some questions allowing for multiple answers, means that not all questions will add up to 100%.



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