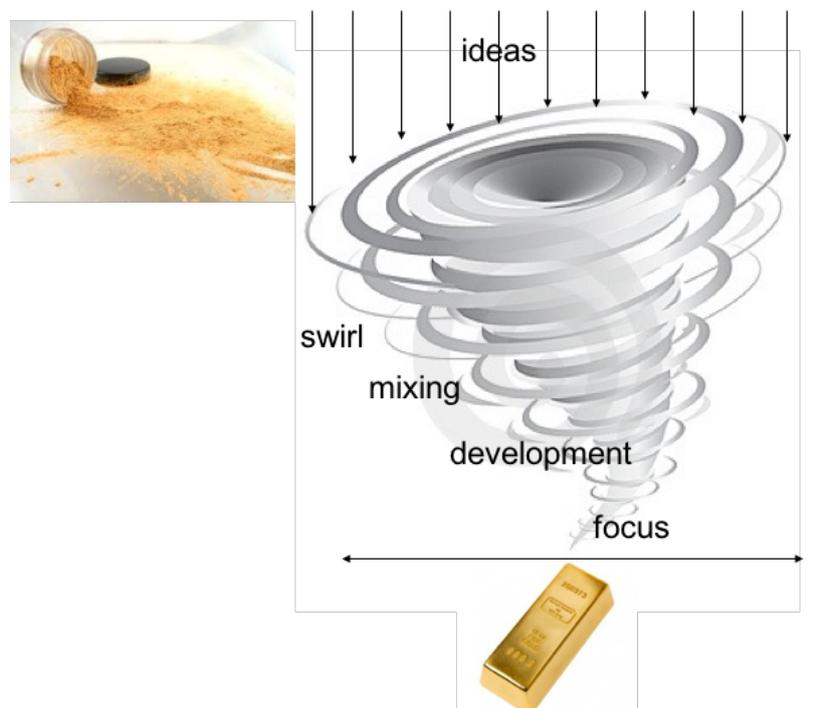


## Powering Innovation:

How Organizations Can Drive More Strategic, Sustainable & Significant Innovation Results

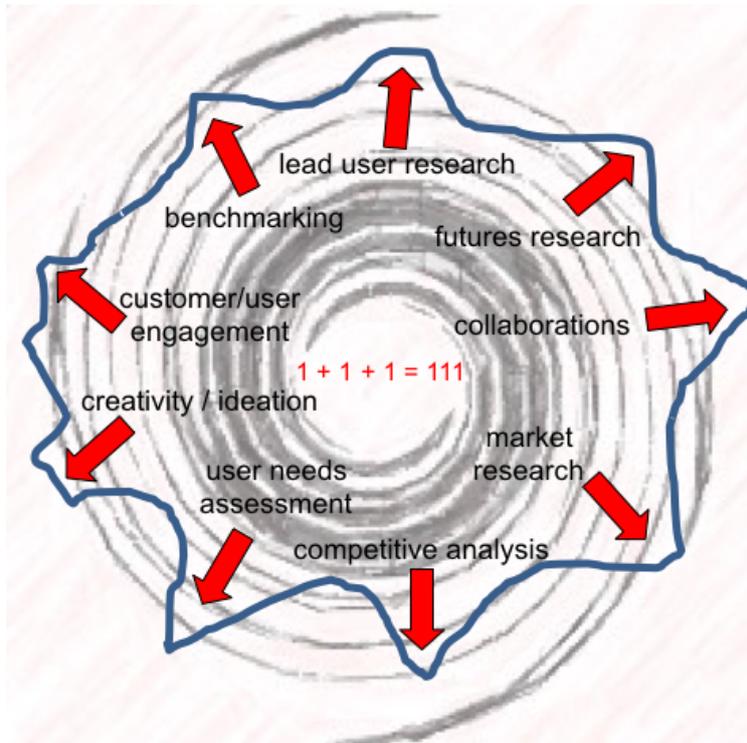
by Dave Richards, PhD, FloD  
Dr Dave Innovation Ltd.

All innovation starts with ideas, and while it is true that the only 'bad' idea is the one that 'got away', it is also true that ideas are a dime a dozen – specks of gold dust that are individually almost worthless. But forged together, they form the gold bricks that build high value enterprises.



The most successful innovations, measured in terms of return on investment (ROI: value created relative to value used in the creation process) emerge when ideas collide, re-group, merge and develop within the innovation tornado. But not all ideas are created equal, and it's typically the mix that counts. The seeds for breakthrough innovation rarely come from within the enterprise, or indeed from within the box of the enterprise's thinking. Instead, insights about customer needs and value that can lead to product enhancements or new products more likely come from product users or users of products that can be related in some interesting way. All aspects of business model innovation (product, production and delivery mechanisms) tend to be constrained to incremental improvements when driven from within the enterprise. Although these can add up to a lot of value when done continually over long periods, the really interesting breakthroughs come from looking outside the enterprise, benchmarking against very different industries, or even gaining insights from nature. For example, the aerodynamic design of Japan's bullet trains was partly based on analyses of hummingbird beaks (Greenwald, 2014).

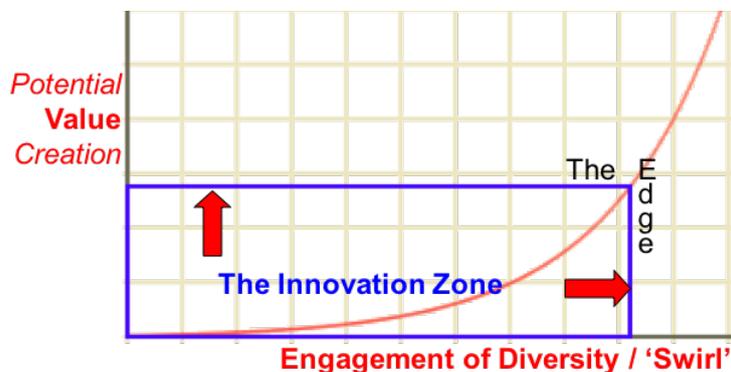
Therefore, one aspect of building a highly innovative enterprise is to create a very wide initial funnel for idea capture. This will include internal ideas generated through effective employee engagement, a culture that encourages and empowers ideation, and organizational diversity. But the tornado should also be fed with a rich mix of ideas gained externally, from customers, suppliers, collaborative partners, academia, competitors, other industries, and beyond. So one key challenge for leaders of innovation is to continually seek ways to expand idea capture – widening the top of the funnel cloud. There are many specific ways of doing this, a few of which are identified in the following diagram.



Feeding the tornado is only one of the challenges facing innovation leaders. What happens to the ideas within the mix and swirl of the tornado is critically important. When ideas merge, break apart and recombine with other ideas, half baked cakes become really interesting recipes for innovation. Swirl is about creating conversations, and the right opportunities and environments for them to take place. Having effective conversations that will lead to valuable insights requires key skills, including listening and empathy (or emotional intelligence). These skills are most especially required when the conversation participants are diverse – for example, working across cultural boundaries – whether societal or organizational. Enterprises that invest in developing these skills therefore create better swirl within the ideation tornado.

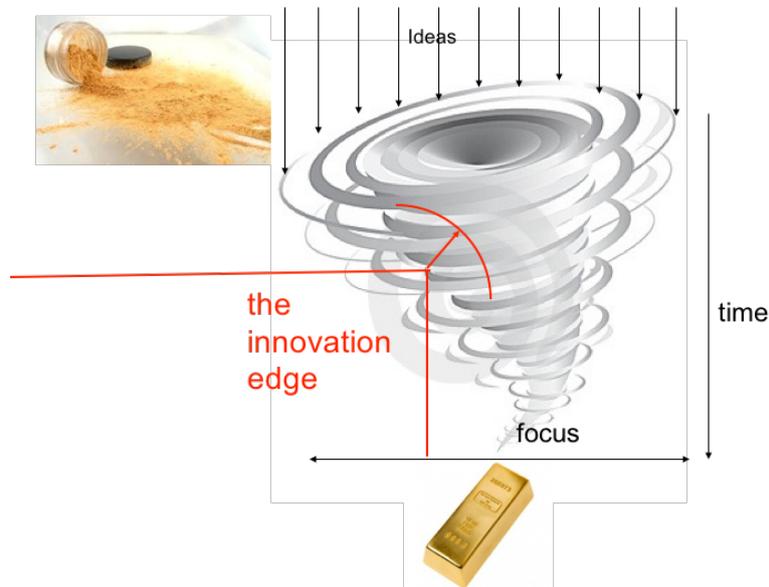
Another key point is that ideas that result in innovation are not usually ‘eureka’ moments – but rather, often consist of ideas that have lingered and perhaps fermented in interesting ways within the tornado. For example, analyses of Darwin’s notebooks (Gruber, 1981) show that his theory of evolution didn’t come in a flash of insight (as Darwin claimed) but instead slowly developed and emerged over a period of many months. What feels like a eureka moment is that we are finally able to fully recognize the value of the idea.

Better idea mixing and development can yield massive gains in idea value, beyond the realms of additive or multiplicative creativity. If two ideas collide, and one simply negates the other (“can’t do that, tried it before, it’ll never work”) we end up with nothing. But if the conversation and mixing is more effective, the observation of difficulties may lead to ideas for further developing and strengthening the initial idea. This phenomenon can be expressed mathematically, in that the potential innovation (value creation) is exponentially related to or driven by the effective engagement of diversity – the power of the conversations – or the ‘swirl’.



Thus, a key objective for innovation leaders is to maximize swirl, expanding the enterprise’s capacity for value creation – which we might think of as the organization’s ‘innovation zone’. Maximizing the zone gives enterprises powerful competitive advantage – the innovation edge.

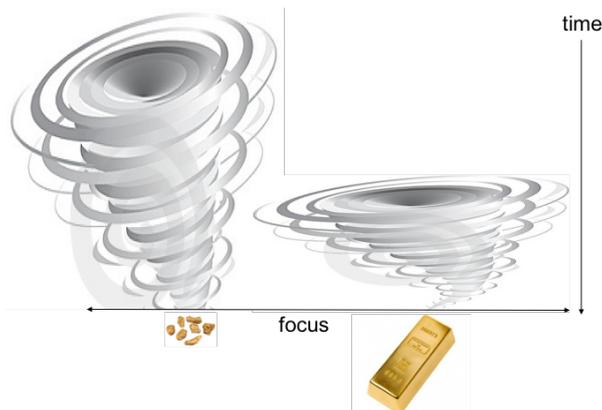
Focus is another important aspect of ‘the edge’ enjoyed by global innovation leaders. A key aspect of the tornado (or any kind of funnel) is the narrowing over time – the focusing. Highly effective innovation leaders kill good ideas quickly, and focus their limited resources on progressing the great ideas that will ultimately become the gold bricks of success.



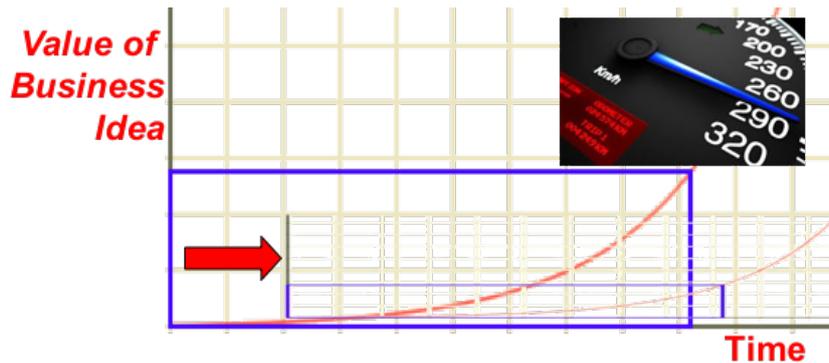
Good ideas shouldn’t be allowed to consume any more attention, funding or other resources than is absolutely necessary to determine they’re merely good. Only the great ideas should be nurtured and developed up through the innovation process. If an individual or organization tries to do too much, failure is inevitable. Better to do a few things well, than many things poorly.

Most organizations don’t kill ‘good’ ideas and their associated projects off quickly enough. They should create vital focus, avoiding unnecessary expenditure of precious time and other resources on ideas that will never fully and successfully make it out the door anyway. Lacking focus, too many would be innovators try to do too much, with too little. Instead of doing one thing really well, they do more, but only with mediocre results, or failing entirely. An oft-seen scenario when faced with the need to cut R&D budgets, is for organizations to slash across the board, rather than killing entire programs to so that sufficient resources are focused on delivering the most important ones. This indecision is a failure of leadership – and a failure of ideas management.

Time management is also critical to innovation leadership – as it arguably is to leadership and management in general. The following illustration contrasts two enterprises. On the left, we see an enterprise with a slower ideation process, that within the timeframe doesn’t achieve the focus required for gold bricks – only a few gold nuggets. On the right, we see an enterprise that has accelerated the process, achieving the required focus within the timeframe. This organization is better at having timely and powerful conversations, and also at quickly testing ideas, experimenting, ‘failing fast’, adapting and moving on.



Looking across various industries and development programs, we can see that slower engagement translates into higher development costs, and also less traction in the marketplace when the idea is eventually commercialized. In the MIT Innovation Lab, comparing the results of a wide range of innovation programs in 3M, Nortel Networks and elsewhere, we observed that a six month delay in a 'go no-go' decision resulted in more-or-less doubling development costs (due to drift of key resources and dependencies, and longer, drawn out projects with greater net overheads), and more-or-less halving the eventual market impact (due to greater direct competition, and market alternatives to the eventually delivered products) – effectively killing the business case and making acceptable innovation ROI impossible. The timeliness of innovation is crucial! Ideas might be ahead of their time – lurking in the tornado but missing the connection with another idea that enables realization of their potential. But when the time is right, delay is a killer. There is a market window, and thus a 'use by date' for any idea. And there is a lot of evidence (e.g., Merton, 1963) that when the time is right for an idea, multiple teams, or potential competitors will be developing it simultaneously.



Innovation starts with ideas, but we first need the potential to generate them – the intelligence and creativity of individuals, and the right culture and engagement within teams and organizations. But the process of taking ideas to reality and ultimate success is a perilous journey. Any given idea has to first undergo the acid test of the ideation process – the swirl of the tornado. But given the need for organizations to focus on the best ideas, many good ideas don't attract investment in research and development. And of course, not all R&D programs result in implementation within the enterprise's operational business model – whether in the form of a new product, or an improvement in production or delivery of products. Even when implemented, a new product or method may not deliver the hoped for commercial value, whether an increase in top line value experienced by customers, or a cost reduction. Further, innovations that are commercialized, delivering bottom line profit margins to the enterprise, often fail to achieve their full potential by scaling, growing and globalizing, where appropriate. Finally, even when innovations achieve their full commercial potential for positive margin contribution, they may fail to deliver strategic success in terms of ultimate return on investment, whereby the ultimate value created is greater – ideally substantially – than the value invested in the creation process. Although more accurately described as a tornado, the journey of ideas to reality and success can also be viewed as a stairway.

### The Journey of Ideas to Reality & Success:



A key point about the process of turning ideas into successful innovations is that success is elusive, and failure is costly. The path to success is slippery slope, with many failure points.



Resulting innovation success rates are extremely disappointing. Even the world’s most innovative enterprises struggle to consistently achieve desired returns on investments in innovation. Mediocre results plague all sectors of human enterprise. Systematic investigations (O’Sullivan, 2002, 2008; Doblin Group 2007, 2012; Richards, 2014) of innovation failures have revealed various organizational, process and engagement factors that undermine efforts to innovate, summarized in the following table.

Organizational Characteristics	Internal Process Management	External Engagement Factors
1. No explicit innovation agenda	1. Unclear project goals – expected results & timing	1. Weak customer engagement
2. Lack of clear overall purpose	2. Inadequate resources applied to deliver results on schedule	2. Failure to differentiate between users, choosers & influencers
3. Inadequate customer focus	3. Inadequate business case for proposed ‘innovation’	3. Sales or market channels not engaged early & often
4. People not engaged in strategy	4. No early feasibility check	4. Inadequate market research
5. Weak leadership	5. Lacking or ineffectual executive champion	5. Suppliers not engaged or fail to deliver on requirements
6. Silo mentality and behavior	6. Weak project leadership	6. Market or industry experts disinterested or negative
7. Disempowering, blame culture – experimentation not encouraged	7. Ineffective teamwork, communication & collaboration	7. Competitor(s) not understood or responses not anticipated
8. Ineffectual communication prevalent & tolerated	8. No celebration of milestones	8. Other innovations or trends make the idea irrelevant
9. Collaboration & contribution inadequately rewarded	9. Design not involved throughout	9. Regulatory environment precludes or limits acceptance
10. Little or no design competence	10. Little or no usability testing	10. Too many viable alternatives
11. Inadequate business intelligence on customers, markets, competitors & industry trends	11. Inadequate monitoring & evaluation of results	11. Can’t command adequate price
12. Lack of systematic knowledge management	12. Failure to terminate failing projects	12. ‘Innovation’ rejected by customers

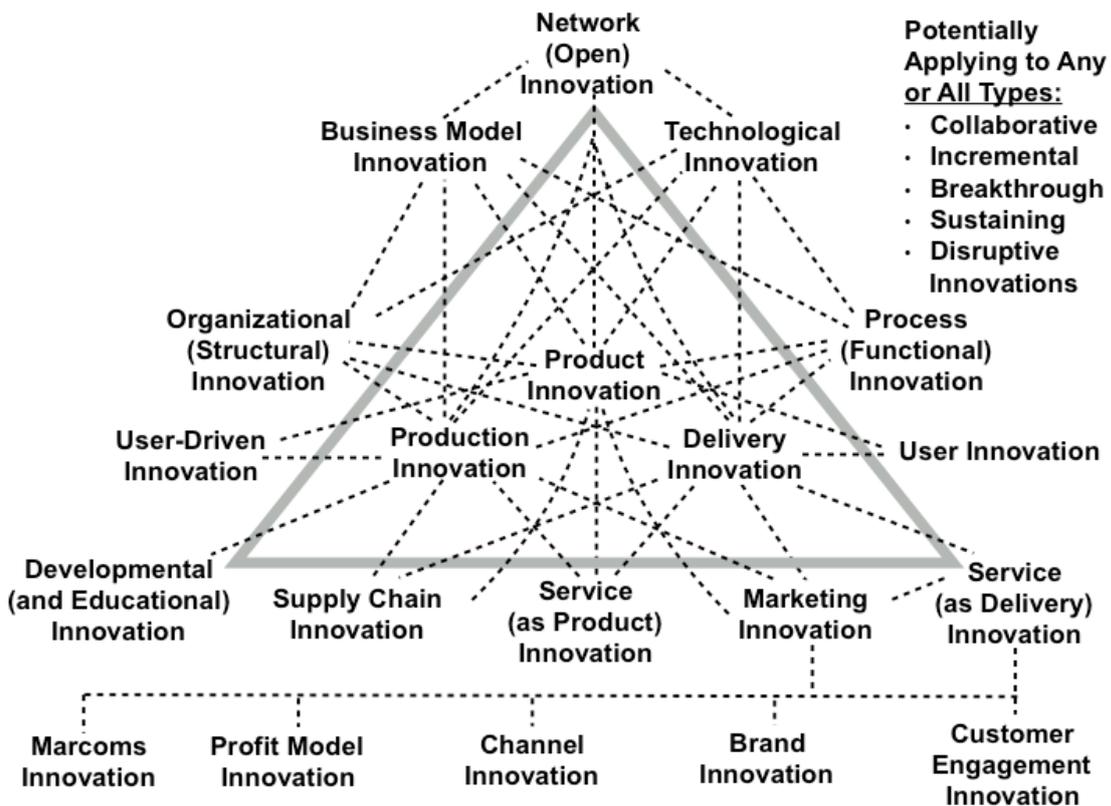
But the results can be summarized even further. There are several one-word answers for why innovation efforts fail – relationships, leadership and strategy! For a start, every single point in the table is an example of failed human relationships. Issues of poor communication, engagement, lack of understanding, lack of focus, or failing to connect to a customer need, are all relationship issues. All of the issues can also be seen as failures of leadership, and the prime task of leaders – strategy.

The root cause of innovation mediocrity is human psychology. Whether innovation succeeds or fails, it’s always about the people. In *The Seven Sins of Innovation: a Strategic Model for Entrepreneurship*, I develop the case that seven specific aspects of ‘human nature’ conspire to undermine innovation strategies. For each

of the seven sins, there is a corresponding entrepreneurial virtue. They bridge (link, and relate) to the central elements of organizational strategy, which must be effective for innovation to thrive. Developing these virtues within an organization's cultural DNA should become the prime imperative for all leaders. Enterprises that develop these virtues enjoy unbeatable competitive advantage. This is the stuff that wins battles and wars – whether a war on terror, a war against poverty, ignorance or disease, or a friendly little game of world domination within a specific industry.



It's worth noting that the innovation sins and entrepreneurial virtues apply to all of the various types of innovation that experts speak about. However, it's also worth noting that all of these flavors of innovation are really just examples or combinations of three basic types of innovation, reflecting the three core components of any business model, or 'value delivery model' (a better term, as it is applicable to all enterprises, including non-businesses, such as charities and government agencies).



Now that we understand the reason for innovation mediocrity, what can we, as leaders of innovation, do about it? The challenge for organizations is to effectively bridge between strategy (the 'hard stuff', including mission, vision, goals underpinned by correct analyses and intelligence, and implementation), and engagement (the 'soft stuff', including individual and team psychology, organizational culture, behavior, attitudes, motivation, and beliefs). Based on the framework outlined in the Seven Sins of Innovation, we suggest the following

innovation agendas that link the elements of strategy, the psychology of engagement, and organizational functions that must be engaged within the innovation process.

1. A success agenda that is driven by a strong sense of purpose (mission) and a clear and compelling definition of what will be achieved in a specific timeframe (vision).
2. A knowledge agenda that ensures the development and required communication of all vital intelligence about internal and external factors (customer needs, market segments, competitors, performance metrics, etc.) that will contribute toward or mitigate against success.
3. A value agenda based on understanding, manifesting and maximizing value to customers and all other key stakeholders, in a balanced and responsible way underpinned by individual, organizational and societal values.
4. A stakeholder engagement agenda focused on creating, building, managing effective win-win (optimized) relationships and engagement with existing and future stakeholders including enterprise leaders, customers, employees, partners, suppliers, regulators, society and the environment.
5. A change agenda designed to deliver continuous improvement, development, leadership and positive transformation of the enterprise and all of its relationships.
6. A capability agenda focused on maximizing the enterprise's potential to innovate, by embracing the challenges of ensuring creativity for the generation of many ideas for improvement and value creation, plus an effective organizational culture so that the ideas have fertile ground and an effective tornado within which to develop and flourish, and equally, so that merely 'good' ideas are quickly killed so that the enterprise focuses on the great ideas that will drive and deliver success in the best possible timeframe.
7. An action agenda based on measurement of results, and accountability for achieving them – including both the day-to-day behavior and contributions of individuals and teams, as well as the overall achievement of desired results that are defined by the success agenda, above.



In conclusion, organizations will more consistently and successfully innovate if they invest in developing entrepreneurial cultures and individuals, and also make the achievement of innovation the central focus of strategic leadership. After all, what could possibly be more important than to innovate – creating and delivering stakeholder value?

## About Us:

Dr Dave Innovation Ltd has an impressive track record of helping organizations improve capabilities for all kinds of innovation. We deliver a rare mix of experience implementing high impact growth and turnaround strategies, creating and transforming team cultures to enhance their ability to innovate, and game-changing business model innovations. We can bring together teams of thought and practice leaders and other specialist resources for projects or events. Through our global network, we have connected clients to investment, vital alliances, major strategic clients, and acquisitions. Our main 'product' is Dr Dave – a highly successful serial innovator with a 30+ year track record that includes co-founding the Massachusetts Institute of Technology's Innovation Lab, a think-tank consortium for developing best practices for leading innovation. His highly acclaimed book, *The Seven Sins of Innovation: A Strategic Model for Entrepreneurship* draws on his experience, and "elevates the thinking on this crucial subject to the highest level" according to Roger Lacey, former Chief Strategy Officer of 3M. As a globally responsible senior executive with multinational leaders such as Oracle Corporation and Nortel Networks, Dave led the creation of \$ Billions of shareholder value, especially through successful commercialization of the internet, world leading development of multimedia applications and advanced business systems, and major wins achieved through innovative marketing and business development. He founded Dr Dave Innovation Ltd in 2007, and since then has worked with governments, charities and commercial enterprises – ranging from startups, through SMEs to multinational leaders. If you want to define and achieve strategic success, profitable growth, higher valuations, a more effective culture, competitive advantage, or innovation leadership, Dave can facilitate your journey!



**DR DAVE**  
I N N O V A T I O N

**Please get in touch to discuss powering your innovations!**

+44 7733 812295

[dave@drdaveinnovation.com](mailto:dave@drdaveinnovation.com)

[linkedin.com/in/drdaverichards](https://www.linkedin.com/in/drdaverichards)

[facebook.com/drdaveinnovation](https://www.facebook.com/drdaveinnovation)

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