

Innovation Disrupted

Large corporate innovation...challenges & lessons learned

June, 2009

Agenda

- ▶ Large Company (LC) innovation... a mixed bag
- ▶ What we know to be "best practice"
- ▶ Challenges to actualizing best practice in LCs: the "4 P's"
- ▶ Lessons learned
- ▶ Q&A

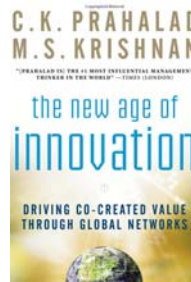
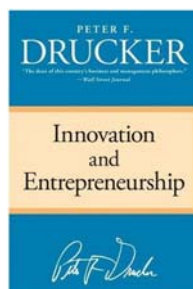
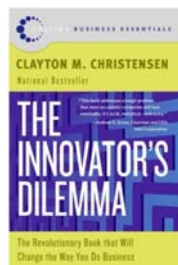
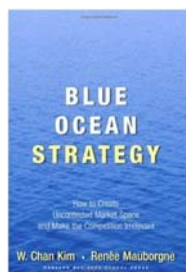
Until the recession, big business was enamored with the prospects of innovation...

BusinessWeek

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HOME INVESTING COMPANIES TECHNOLOGY **INNOVATION** MANAGING SMALL BIZ B-SCHOOLS ASIA EUROPE LIFESTYLE MAGAZINE



VIEWPOINT



No Innovation Without Ambition

The failures of risk management that led to the financial crisis need innovative solutions, say authors Vijay Govindarajan and Chris Trimble. For that, we need the full passion and unbridled optimism of our business leaders

INNOVATIVE COMPANIES 2009



The Most Innovative Companies

The 2009 list includes some stalwarts, along with 15 new firms. Check out our extensive coverage of the winners, losers, and up-and-comers in our annual survey

... but, oh, what a difference a few years makes

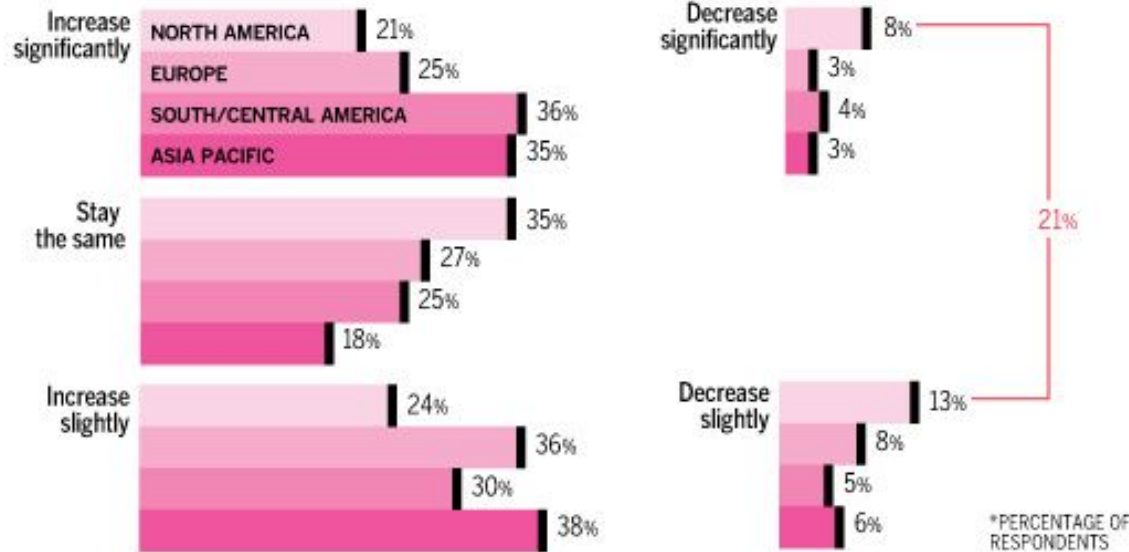
IS INNOVATION A TOP THREE STRATEGIC PRIORITY?*



WILL YOUR COMPANY INCREASE INNOVATION SPENDING IN THE COMING YEAR?*



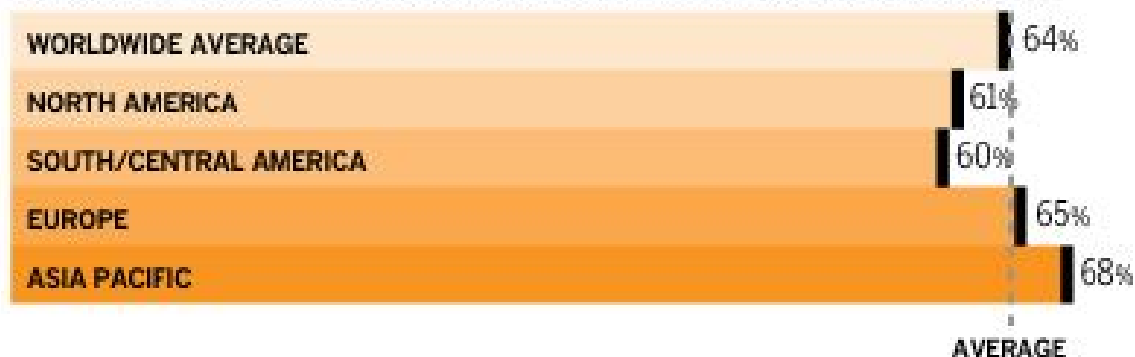
COMPARED WITH LAST YEAR, DO YOU EXPECT YOUR COMPANY'S INVESTMENTS IN INNOVATION THIS YEAR TO...?*



more North American companies plan to decrease innovation investments in 2009 than in any other area

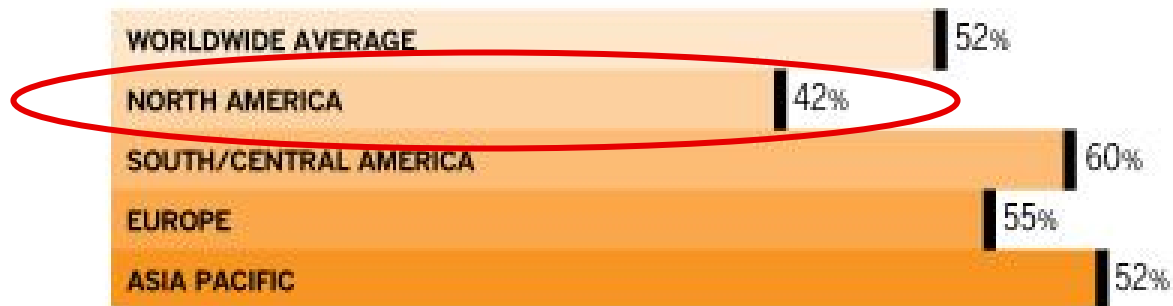
What's worse, US CEOs' are sending mixed messages to corporate innovators

WHERE DOES INNOVATION RANK AMONG YOUR COMPANY'S PRIORITIES?*



*PERCENTAGE OF RESPONDENTS WHO RANKED INNOVATION IN THE TOP 3 STRATEGIC PRIORITIES

ARE YOU SATISFIED WITH THE FINANCIAL RETURN ON YOUR INVESTMENTS IN INNOVATION?



*PERCENTAGE OF RESPONDENTS

As practitioners, we've come to understand what's "best practice;" in LCs, complexities exist in making it a reality

THEORY

LC REALITY

The Right Environment

- ▶ Commitment from "the top"
- ▶ Commitment for the long haul
- ▶ Commitment that is culturally embedded

The Right Focus

- ▶ Focus on "product advantage"
- ▶ Leverage core competencies
- ▶ Innovate in "strategic buckets"

The Right Processes

- ▶ Enforce strict process on decision-making
- ▶ Insist on analytical rigor at each decision step
- ▶ Provide for x-functional involvement

- ▶ Ill-defined in conglomerates
- ▶ Difficult, with quarterly earnings
- ▶ Cultures can vary by division, and life-stage of enterprise
- ▶ Unfamiliarity / skepticism on techniques to achieve this
- ▶ Harnessing core competencies often challenging
- ▶ Difficult to spread scarce resources across buckets
- ▶ Different processes for different decisions causes conflicts
- ▶ Analytic rigor to "un-tested" ideas often met with skepticism
- ▶ Cross-functional support can be hindered by competing priorities

LC innovation efforts often can be thwarted by structures, processes, and environments beyond innovators' control

The "4 P's" to watch for

PEOPLE

Misalignment:

- Up the chain
- Down the chain
- Among peers
- Within matrices

PRIORITIES

- HoldCo v. Divisional strategies
- Big P&L projects v. "strategic" initiatives
- Revenue v. cost initiatives

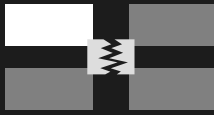
*Disruptors
to
Innovation*

PLATFORMS

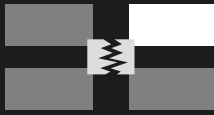
- Technologists as terrorists
- System "lock-in"
- Systems inflexibility
- Project-based mentality

PROCESS

- Project ranking systems
- Metrics usage
- Development methodologies
- Bureaucratic "red tape"



"I love this room, so many happy memories of killing innovation..."



HoldCo vs Divisional strategies

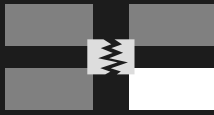


Big P&L projects vs Innovation initiatives



Revenue vs Cost-cutting

Process: A case study



A fine approach...

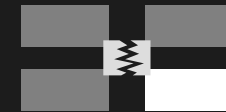
Our mandate is to bring focus, discipline, prioritization, and urgency to the new products initiative.

Reinventing the “New Products” Mandate

FOR DISCUSSION

- **FOCUS** team efforts through a pre-defined strategic lens, and ensure efforts are concentrated on only a few of the most attractive projects at a time
- **BE DISCIPLINED** by demanding rigorous and transparent pre-development concept analyses, and employing strict gating criteria for concept development advancement
- **PRIORITIZE** opportunities so that only the best opportunities with market-defensible offerings receive dedicated team attention
- **MOVE URGENTLY** on approved products by aggressively leveraging alternative development options (acquisitions, JVs, and strategic partnerships) in order to balance RS resources, time, and other development efforts

We will be formed to deliver on this mandate and kick-start [name redacted]'s growth initiatives



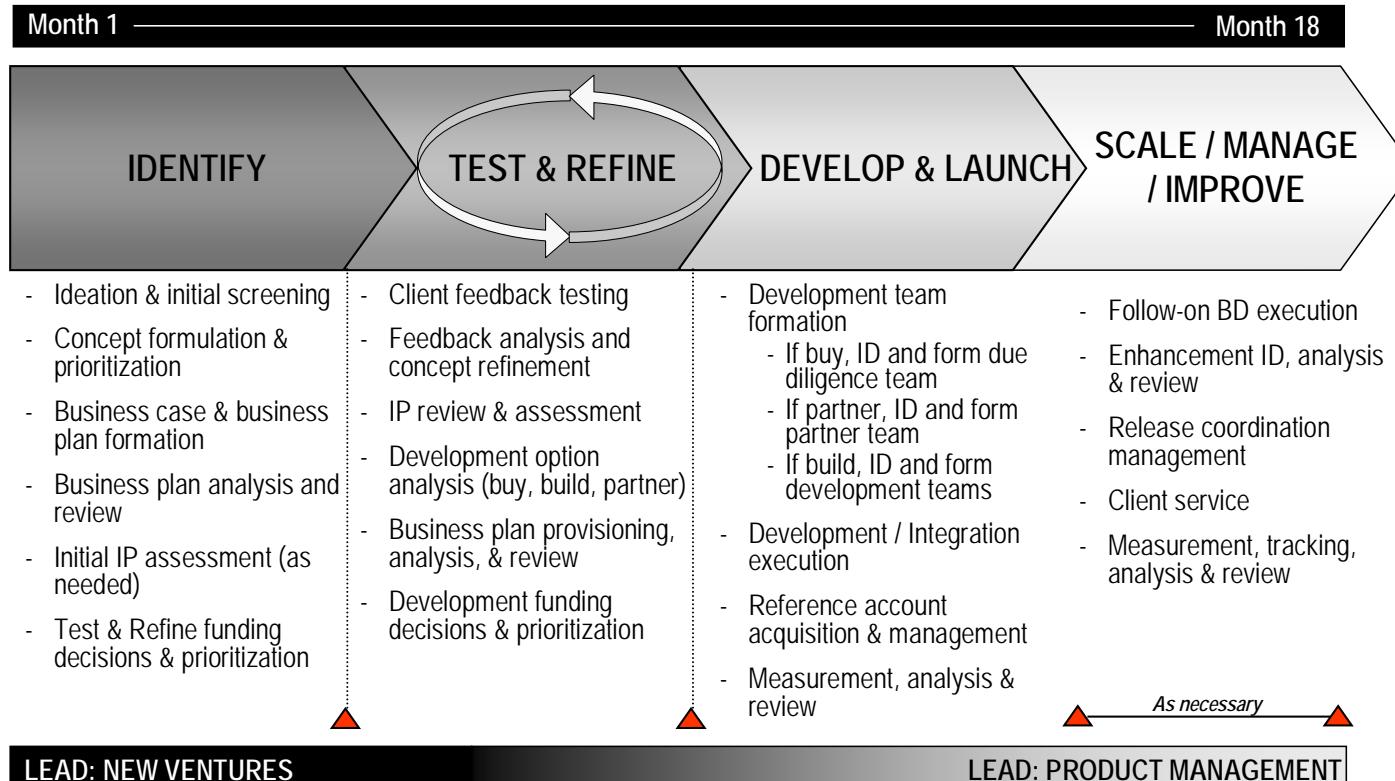
A well-constructed process...

We will employ a streamlined but rigorous approach to identify and capitalize upon new solutions

DISCIPLINE

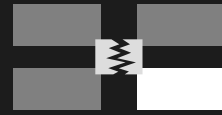
Development Methodology

FOR DISCUSSION



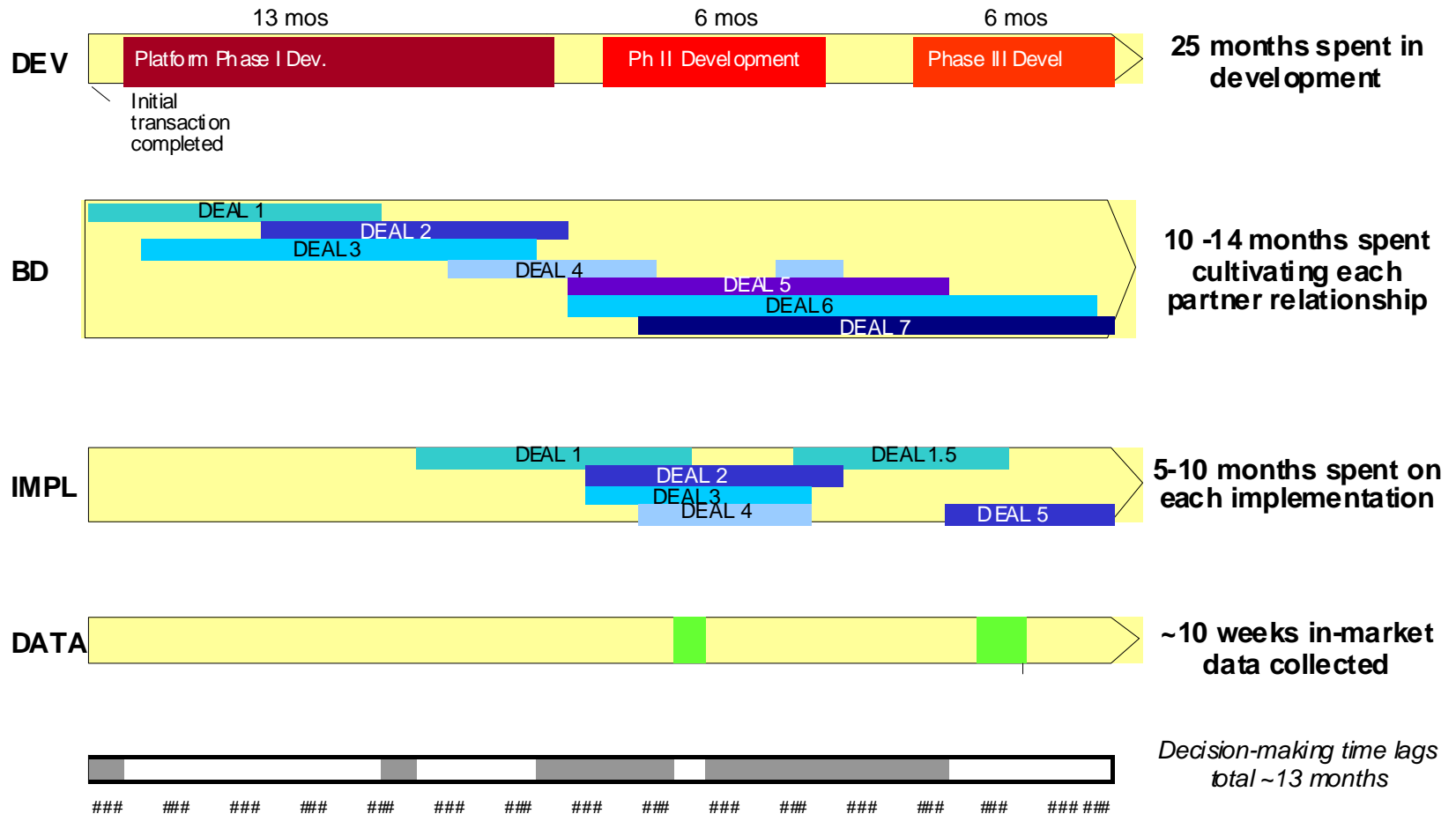
Legend

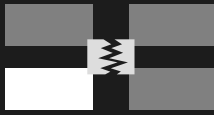
▲ Venture Planning Group (VPG) funding decision.



What happened?

Actualized timeline





Technologists as terrorists



System Lock-in



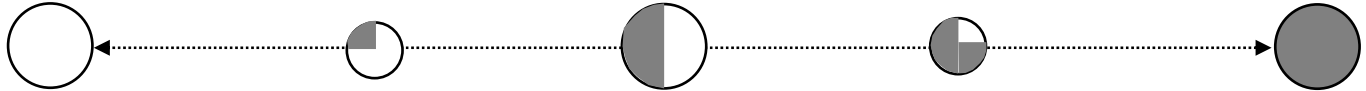
Systems inflexibility



Project based mentality

If you find yourself evaluating a large company innovation role, look hard before you leap

A risk mitigation checklist



Rating	Beware!	Test more	Comfort-zone
Culture	Innovation presented as "new corporate initiative"	Division culture good; HoldCo culture unknown	Innovation fully acculturated into organization
People	Direct manager supportive, others "wish you luck"	Divisional CEO committed, but org is "highly matrixed"	HoldCo C-Suite openly committed; driving the agenda
Priorities	No strategic buckets prioritization; no pre-established budget	Established NPD budget; unclear project prioritization	Long term committed budget; strategic buckets
Process	No defined "gate" process; "waterfall" development cycles; "big bang" release schedules	Desire to have "gate process;" semi-agile devel. cycles; consistent major/minor releases	Established (and used) gate process; agile development; agile release methodology

If you find yourself evaluating a large company innovation role, look hard before you leap

A risk mitigation checklist (cont.)

Rating				Comfort-zone
Beware!				Test more
Platforms	CTO is captive provider; Mainframe systems; hard-code designs	CTO is semi-captive provider; mix of systems; configurable designs	Open architecture provider; C/S or Cloud; highly configurable designs	
Firm Status	Mature market, consolidating market, weaker player	Consolidating market, stronger player, organization in change	Growth market, market leader, stable organization	

Q&A and Discussion

