Discussion Guide
Nurturing and Executing Innovation
June 6, 2006

One of the greatest challenges that companies face is capitalizing on innovative ideas while running their core operations ever more efficiently and effectively. It's been argued that innovation is the lifeblood of growth, providing the new products, services and business models that keep a company competitive and increase market share. But enabling and nurturing innovation is not easy. How can a corporation nurture innovation and creativity? How can it best support execution of innovative ideas ranging from launching new products or services in familiar spaces all the way to launching strategic innovations – fundamental departures from the existing business model? In this roundtable we will discuss how companies nurture environments that enable innovation and how they can maximize the chance that their product and service launches and new business launches succeed. Specifically, we will focus on such questions as:

Session 1: Nurturing Innovation *(please come prepared to share the best "creativity-enabling" practice that you've seen – something that really enabled an organization to repeatedly facilitate and capitalize on innovative ideas)*
How do companies encourage innovation? How do you generate/enable the required creativity? How do you focus this creativity where it is most productive?
- How does one setup an environment that is friendly to innovation? What are the two or three most important things your company does to encourage and accelerate idea generation and innovation? Does it differ for different types of innovation (strategic/business model vs. product/service vs. operational)?
- How would you describe your company's culture? How does it encourage or inhibit innovation? Does it do as good a job as it could? How do you give people "free space" to pursue new ideas?
- Does your company use any of the following to accelerate innovation:
  - Designate special groups or people to innovate? Who are they and how are they empowered?
  - Create connections between people who otherwise might not talk with the goal of generating ideas?
  - Use frameworks or systematic approaches to generate ideas? If so, what are they?
- How do you set up an environment that focuses innovation <u>where it matters most</u>? As Geoffrey Moore might ask, how do you ensure that the "differentiation-creating innovation" of the new venture and the "productivity-creating deconstruction" which may dominate your existing businesses not only co-exist but are mutually beneficial? Or put differently, how do you encourage creativity and cross-functional collaboration on innovation when routine operations often demand an efficiency and process focus, and can you / how can you make these activities be synergistic?
- How do you motivate people to think about the future when you are successful today? How do you get people talking about possibilities? When?
- Does most innovation come from within the corporation or outside it? Does it differ for different types of innovation (strategic/business model vs. product/service vs. operational)? Does external innovation come most often from collaboration with customers or partners?

- Do you hire for innovation? Is it consistently a part of how you evaluate talent?
- What incentives does your company offer to promote collaboration? Innovation? What are the metrics used to measure these contributions?
- Does your information flow support innovation? What types of information technology investments have you made that support innovation?

Session 2: Developing and Launching Innovative Products and Services *(please come prepared to relate a product or service development and launch disaster and what you believe caused it)*
One important type of innovation is product/service innovation. What are the most important considerations in developing and launching new products and services?

- Do you have a documented product innovation process? If so, what is it good at and what not? Is the process similar for service innovations? Should it be, or are services a fundamentally different offering?
- How should firms develop new products and services and who in the company is involved?
- What capabilities do firms need to have in order to develop radical disruptive innovations?
- What is the role of external partners in new product or service generation? What can they bring to the table that is hard to get from inside the organization?
- What is the role of customers? Which customers should you engage and how?
- What is the typical timeline for a product or service innovation from idea generation to market offering? How does the role of senior management change from the idea stage / early tests to implementation?
- What frameworks do you setup for guiding innovation? Is more emphasis placed on next generation products and services in the same space or on expanding into adjacent product spaces?
- How important is it to give various parts of the business visibility to new ideas, allowing untapped/unknown expertise to chime in on the launch of new products or services? How can information technology enable this?
- How do you evaluate and select ideas to pursue for product and service innovations? How do you "bubble-up" the best ideas for new products or new services to executive leadership for review and decision on action?
- How do you evaluate an innovation project in progress? Do you have special forums for evaluating the status of ongoing product/service innovations? How predictable is the success of a new offering?
- What percentage of your operating earnings are reinvested in product and/or service innovation every year?
- How different is it to execute on service delivery if you are a product company? Is it different enough that service offerings should be considered a "strategic innovation" and treated differently? Or should companies run related products and services out of the same organization?

Session 3: Executing Strategic Innovation: Internal Venturing *(please come prepared to share an example of a decision <u>not</u> to pursue an internal venture that had a compelling business case, due to organizational concerns/constraints)*

Thought Leadership Roundtable on Digital Strategies

Strategic innovation, often also called business model innovation, has the potential to open new opportunities and bring big results, but brings commensurate risk with it and may be toughest to execute. How can a corporation master and capitalize on "strategic innovation?" In this session we will discuss how companies can most effectively maximize the chance that their "internal venturing" efforts, their "strategic experiments", succeed.

- How do you determine when an innovative idea is different enough and strategic enough that it may need to be its own business?
- What aspects of running your business must you be willing to fundamentally reexamine in order to launch and support such a new venture? In the language of Govindarajan & Trimble, how do you determine in which areas of managing the business a new venture needs to forget what the parent has traditionally done and in which areas it must borrow from the parent company to be successful?
- What are likely to be the areas of most tension between your established businesses and your new venture? How do you minimize this friction? Should you even seek to? Do you need to tilt the playing field a bit in the direction of the new venture in order to ensure it doesn't get bogged down in the established corporate "rules of the game" or is it more important to ensure it doesn't "reinvent the wheel"?
- As your new venture is launched, should the emphasis be on meeting metrics/milestones or on learning and adapting? How do you ensure it is learning quickly as it goes? What can you do in order to support learning, recognizing that the new venture won't be as predictable as established businesses?
- Is forecasting and planning even valuable in what is likely a fairly new environment for the company? If so, for what purposes?
- What is the role of information technology in enabling innovation? How can the CIO best support an internal venture, appropriately leveraging the existing assets and knowledge base without burdening the new effort with inappropriate processes or systems just because they are readily available?
- What can the existing units of the corporation do to support the new venture? How do you sustain the drive towards standardization and efficiency? In the language of Geoff Moore, how do you ensure that the "differentiation-creating innovation" of the new venture and the "productivity-creating deconstruction" which may dominate your existing businesses not only co-exist but are mutually beneficial?

Breakouts:
- o **Engaging Customers in Developing Radical Innovations**
- o **Exploring the Challenges of Business Model Innovation**

Summary & Opportunities for Further Discussions
- What are your key take-aways? What are the 2-3 things that you are going to think the most about when you leave here?
- What did you hear today that you resonated with as most true or likely wrong?
- What areas do you feel need some more research?