A Guide to Designing and Building a ‘Next-practice’ Innovation System

An overview of what it takes to build an Integrated and Comprehensive Innovation System.
Symptoms of a Problem

“The organization can’t make big bets, because culturally we can’t forgive failure”

“We have a great platform, but can’t exploit it. We only seem to focus on small opportunities.”

“We have lots of innovators, but it’s difficult to ‘do’ innovation”

“We can’t recruit and retain the right type of people”

“Marketing gets a great new idea, R&D creates it, then no one buys it”

“We only seem to be able to have success with incremental opportunities. We really struggle with horizon 2 or 3 opportunities.”

“R&D creates a great, new technology and marketing doesn’t know what to do with it”
Accelerated Growth Requires an Innovation System

The world is becoming more complex and uncertain faster and faster. Companies, and their R&D organizations, have been slow to respond. ... They must create Innovation Systems that reimagine R&D, Strategy and Business development as integrated, extended and distributed disciplines.

CTO of a $30B Materials Company

An Innovation System is the integrated people, operation, and organization that creates sustaining and strategic opportunities a company successfully builds into new business to insure long-term, accelerated growth.

Adapted from Steve Shapiro
An Integrated and Comprehensive Innovation Capability is Required

Many corporate innovation systems today

A ramshackle collection of processes, methods and tools, cobbled together over the years in an ad hoc fashion by a succession of leaders operating under different strategies.

A ‘next-practice’ Innovation System

An integrated and comprehensive system designed to manage rapid transformation and turn the VUCA world into opportunities.
You Need Both Sustaining and Strategic Innovation

**Sustaining Innovation** is necessary to stay competitive in the short term.

**Strategic Innovation** is necessary to stay competitive in the long term.

ISDB needs to address both, but **Strategic Innovation** is the greater challenge.
Risk

We don’t know what is going to happen next, but we do know what the distribution looks like.

Uncertainty

We don’t know what is going to happen next, and we do not know what the possible distribution looks like.

An Innovation System provides the means whereby a company can recognize and harness uncertainty for its benefit
A Portfolio of opportunities is designed to deliver what your strategy requires. Your portfolio is your future.
Four Stages of an Innovation System Model\(^1\)

- **Domain**: Intent
- **Discover**: Explore
- **Incubate**: Experiment
- **Accelerate**: Execute

Opportunity Readiness Level

Start with strategic intent, discover new opportunities, incubate and shape the best then accelerate survivors to scale

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1 – based on the research of Gina O’Connor as described in *Grabbing Lightning: Building a Capability for Breakthrough Innovation*
Opportunity Uncertainty is Used to Govern Innovation System Operation

<table>
<thead>
<tr>
<th>High Uncertainty</th>
<th>Opportunity Readiness Level</th>
<th>Low Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1  2  3  4  5  6  7  8  9</td>
<td></td>
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<tr>
<td>No clear organizational fit, resources or support</td>
<td>Organization embraces and scales the business</td>
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<tr>
<td>Potential adopters are unknown as are their reactions</td>
<td>Customers are buying and their motivations are known</td>
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<tr>
<td>Not clear if technology exists or can be designed as needed</td>
<td>Technology is robust and the design is delivering</td>
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<tr>
<td>Little idea of ecosystem barriers or reaction</td>
<td>The ecosystem response is known and being managed</td>
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Organizational Uncertainty
Demand Uncertainty
Design Uncertainty
System Uncertainty

Opportunities progress through levels of readiness as new experimentation and learning reduce key uncertainties.
Five Connected Elements Comprise the Innovation System Architecture

**STRATEGY**
- Innovation Mission
- Innovation Roadmap

**OPERATION**
- Processes. Methods & Tools
- Yields & Workflows

**PEOPLE**
- Leadership/Culture/Mindset
- Skills/Proficiencies

**ORGANIZATION**
- Interfaces and Networks
- Funding and Structure

**METRICS**
- Opportunity & Portfolio
- System Operation
Five Elements Focus Design-Build Efforts

Innovation alignment with strategic intent. Charter, Architecture, Framework, Jobs

Innovation cultural. Roles, responsibilities, and proficiencies. Language, Ontology, Taxonomy. Incentives

Operational model and nominal throughputs and yields. Processes, methods and tools. Governance mechanisms and decision rights

Formal and informal structures. Inter and Intra-company networks. Funding and staffing of initiatives.

And Deliver Results

New technology trends are identified, future insights deliver strategic and innovation focus.

Innovation skills are developed. High-functioning innovation teams are created with defined roles and responsibilities.

Numerous opportunity concepts are generated and a robust pipeline delivers a steady stream of strategic opportunities.

Connections between people are created and formal and informal learning structures are formed.

Opportunity value and fit are assessed, the portfolio is analyzed and the path forward is decided.
Undertake a Structured System Design Process

### Design Phase

1. **Learning & Planning**
   - Situation Assessment
     - Current State Assessment
     - Exemplars & Models
     - Architecture & Framework

2. **Design Development**
   - Requirements & Architecture
     - People – Mindset & Skills
     - Operation – Process & Flows
     - Organization – Structure

### Build Phase

3. **Construction**
   - Build & Test
     - Roles & Responsibilities
     - Process, Methods & Tools
     - Networks & Interfaces

4. **Activation**
   - Build & Test
     - Change Initiatives
     - Training & Tools
     - Test & Measure
The practice of innovation is itself transforming - fast. Whether starting with a blank sheet, or enhancing existing elements – get results fast.
With Inovo as collaboration partner and guide, clients transform their offerings, cultures and innovation capabilities.

For more information, check out the innovation system resources on our website or send us an e-mail at info@theinovogroup.com