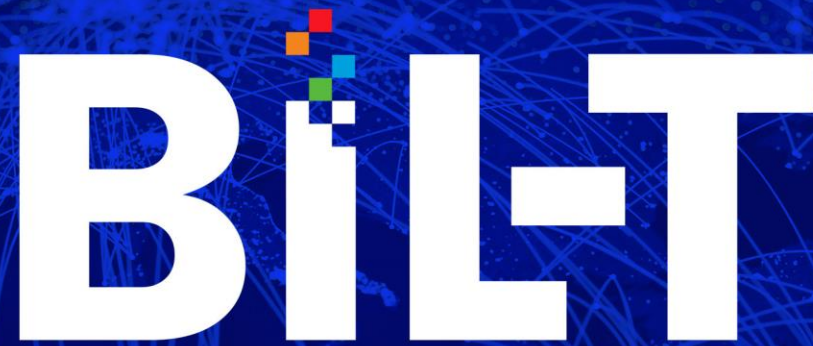


# Organizational Transformation through Strategic Innovation



# BiLT

**Business Innovation  
Leadership & Technology  
Conferences**

Joanne Hyland, President – rInnovation Group, 11 March 2021

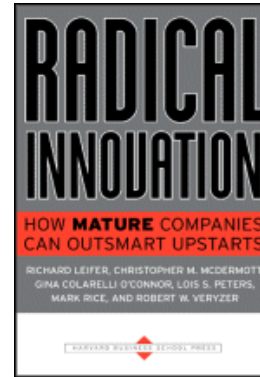


# TOPIC: Organizational (or Digital) Transformation through Strategic Innovation

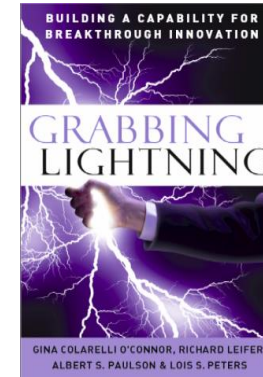
- DIA and Uncertainty Management Origins
- Strategic Innovation Capability. What is it? Why build it?
- The Innovative Organization Building Blocks
- Seven Principles for Organizational Success
- Building a Sustainable Capability. What does it take?

# DIA and Uncertainty Management Origins

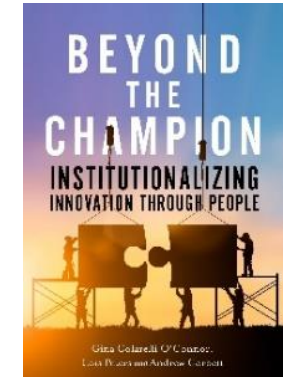
**2000**  
Radical  
Innovation



**2008**  
Grabbing  
Lightning



**2018**  
Beyond the  
Champion



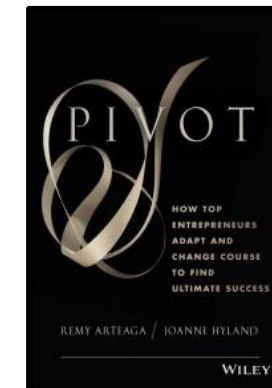
From Project

to System

with Practice

to People

**2013**  
Pivot

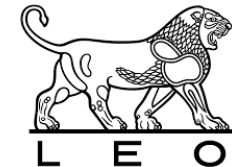




# Insights from Research and Practice

- Rensselaer Polytechnic Institute (RPI) 25-year radical innovation research study
  - 35 companies and 600+ interviews
  - Origins of Discovery, Incubation and Acceleration (DIA) and Technical, Market, Resource and Organization (TMRO) Uncertainties
- The rinnovation Group's experience
  - 30+ years working in/with global companies
  - 20 years as strategic advisors to:
    - Develop innovation strategies
    - Design innovation management systems
    - Reduce opportunity uncertainty
- Founders of DIA+TMRO Methodology

# Applied Across Diverse Industries



## Value Drivers

- ✓ Proven method
- ✓ Learning speed
- ✓ Process effectiveness
- ✓ Revenue beyond core
- ✓ Market leadership

# Three Distinct Competencies

## Discovery

### Explore and conceptualize

- Identify different applications, business model options and associated uncertainties
- Think bigger in terms of platforms and new areas.
- Focus on future options that could bring significant value.

Output of Discovery:  
Business Concept

## Incubation

### Experiment with options

- Reduce uncertainty via a learning plan.
- Maximize learning per money spent.
- Be guided by learning to avoid developing a solution too early.

Output of Incubation:  
Business Proposal

## Acceleration

### Develop, scale and launch

- Build from the entry application or business model(s) and follow on with other applications identified in Discovery and Incubation
- Systematically transition to the future home within the BU or beyond

Output of Acceleration:  
New Growth Platform

# Applying an Uncertainty Lens

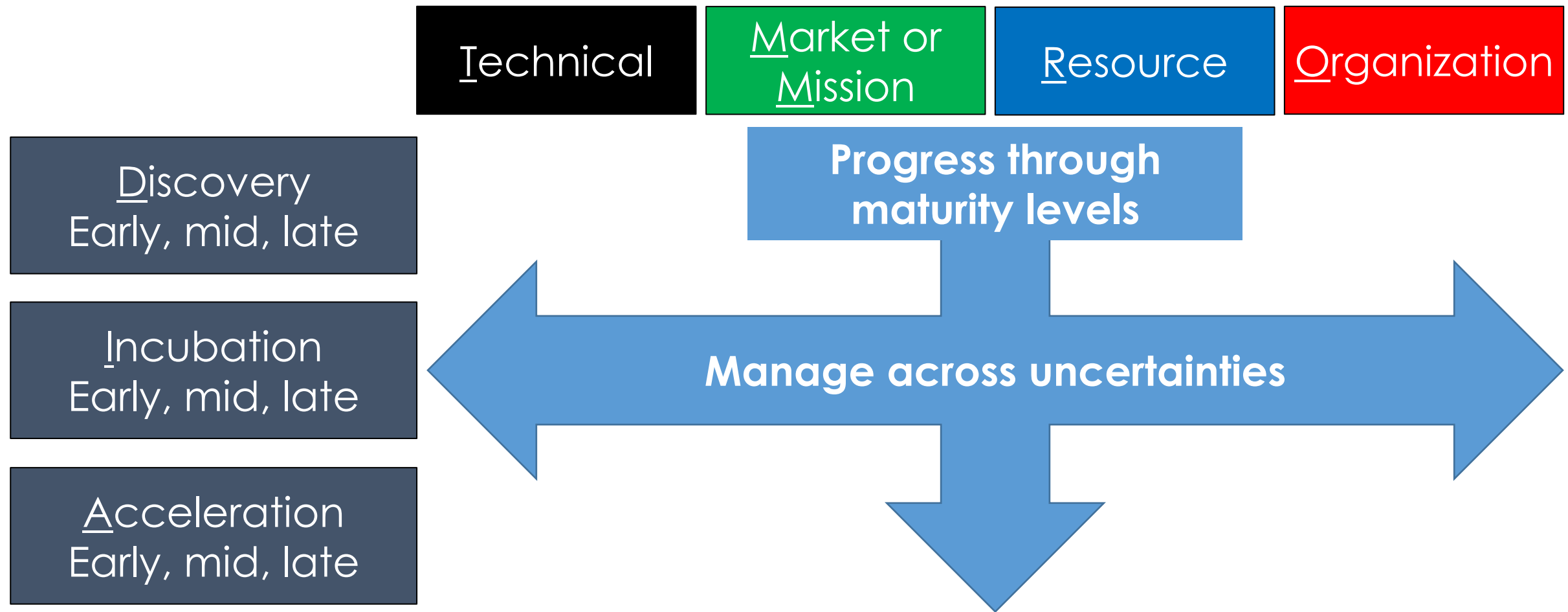
<u>T</u> echnical	Understanding technology drivers, benefits and feasibility of technology
<u>M</u> arket or <u>M</u> ission	Understanding market or mission drivers, value creation and business viability
<u>R</u> esource	Accessing money, people and capabilities internally and externally
<u>O</u> rganization	Gaining and maintaining organizational support

It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.



**Mark Twain**  
*American Author and Humorist*  
(1835-1910)  
[QuoteHD.com](http://QuoteHD.com)

# Business Readiness Levels





# The ABCs and the Elephant (R&O Issues)



**A**dmit what you don't know



**B**ring structure to chaos



**C**ommunicate, communicate, and communicate more.



.....or risk failing because we do not reduce uncertainty!

# Strategic Innovation Management Capability

- What is it?
- Why build it?

BRAND CAMP

by Tom Fishburne

OUR LATEST INNOVATION  
IS A GOOSE THAT LAYS  
EGGS OF SOLID GOLD

THAT'S A DISTRACTION  
FROM OUR CORE

AND WE HAVE  
NO BUDGET FOR  
GOOSE-RELATED  
EXPENSES

ON THAT NOTE,  
WE'LL NEED  
THE FEATHERS  
AND LIVER  
FOR ANOTHER  
PROJECT

© 2011

MARKETOOONIST.COM



# Strategic Innovation Makes a Difference.

## The most innovative global firms

Have seen +16% more revenue growth (over 3 years compared to least innovative global firms).

Aim for twice as many strategic innovations.

Expect to grow 3x faster (than least innovative global firms).

## These get a head start as:

Sources: rInnovation Group, 2019, with data from PwC, 2013: "Breakthrough Innovation and Growth"; Deloitte, 2016: "Radical Innovation and Growth"

Only 35% of global firms bring strategic innovation to board priority.  
47% of global firms lack insight and 46% lack governance structure to handle strategic innovation.

# What is a Capability?

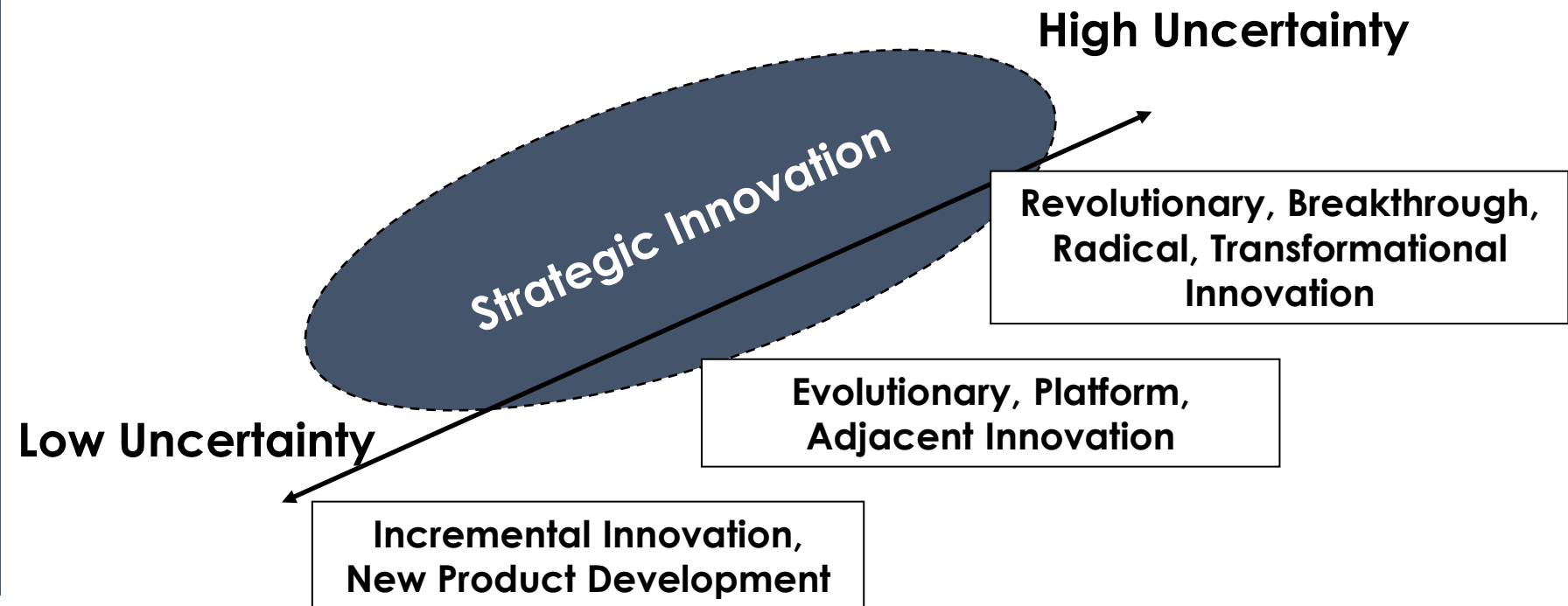
## Strategic Innovation =

A systematic approach to navigate uncertainty through a portfolio options mindset

## Capability =

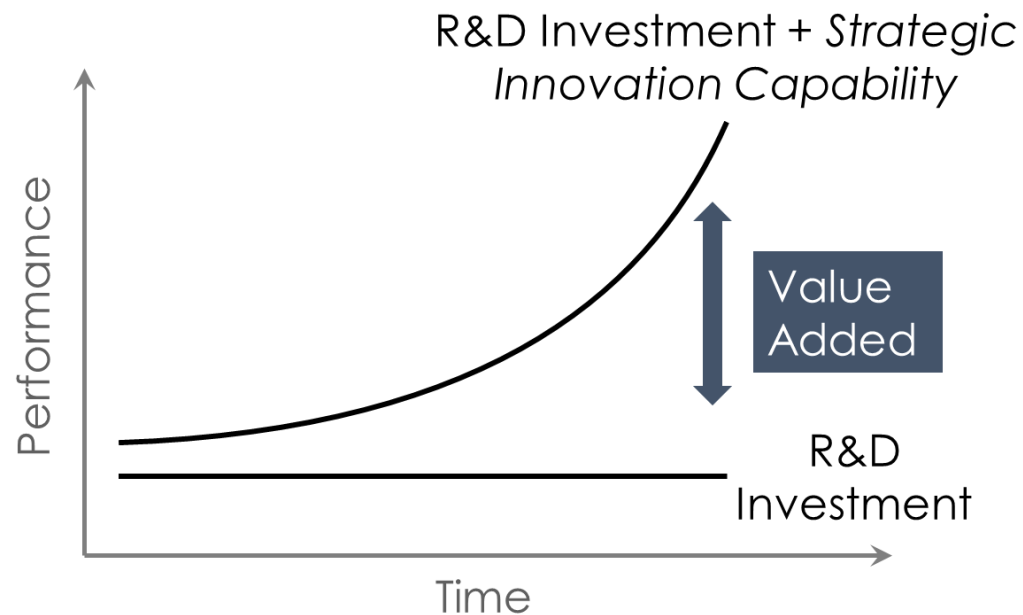
Organizational enabler for uncertainty reduction to deliver market & organizational value

## Types of Innovation Along the Uncertainty Continuum\*



*\*Adapted from "Beyond the Champion: Institutionalizing Innovation Through People"*

# Why Build a Capability?



\* Markovitch, Dmitri G., Gina Colarelli O'Connor, and Pamela J. Harper. "Beyond invention: the additive impact of incubation capabilities to firm value." *R&D Management* 47.3 (2017): 352-367.

- Invest in processes or capabilities that leverage R&D.
  - Envision growth or business platforms.
  - Adopt learning approaches over phase gates.
  - Leverage internal competencies and fill gaps externally.
- Incubation holds the power to mitigate business risk, overcome 'incrementalization' and increase odds of success through\*:
  - Strategic direction (or intent) to guide teams through ambiguity
  - Leadership committed to capability building and nurturing right talent
  - Holistic systems approach



# The Innovative Organization Building Blocks



# Enabling Transformation

Common Language	Uncertainty Mindset	Strategic Intent	Right People and Set-up	Leadership Commitment
Be on same page.	Embrace change.	Create future distinct from current strategy.	Bridge cultures of operational and innovation excellence.	Build a sustainable innovation capability.

# Making Room for Co-existing Cultures

- Incrementalization = Loss of potential. Efficient operational systems dominant over entrepreneurial ones.

	Core Business Drivers		Innovation Culture Drivers
Strategy and Type of Innovation	Existing Strategy Incremental Innovation Sustain and Extend	[-----]	Strategic Intent Beyond Incremental Innovation Grow and Renew
Culture	Operational Excellence Customer Driven Execution Skills	[-----]	Cultivation Market Driven New Business Creation Skills
Risk Profile	Risk Averse System Efficiency and Operations	[-----]	Navigating Uncertainty Directed Learning Strategic Partnerships
Investment Timing and Revenue Focus	Shorter Term: Key Performance Indicators (KPIs)	[-----]	Longer Term: Key Achievement Indicators (KAIs)

# Valuing Different Skillsets Equally

- Technical, Business and Strategic Know-How

## Development Teams:

Composed of cross-functional areas

### Qualities

- Predictability
- Technical expertise
- Functional depth
- Attention to detail
- Operational efficiencies
- Process driven, pre-determined gates

### Mindset:

Follow process to consistently deliver quality

## Innovation Teams:

Composed of cross-functional individuals

### Qualities

- Strategic perspective
- Passionate commitment
- Talent attraction and leadership
- Excellent communication skills
- Stakeholder analysis and management
- Learning driven, pivots towards end game

### Mindset:

Embrace change to seek new opportunities

# Seven Principles for Organizational Success

#1	<b>Differentiate risk and uncertainty.</b>
#2	Navigate uncertainty.
#3	Move beyond process to system view.
#4	<b>Prioritize capability development.</b>
#5	Adapt and change course through learning.
#6	<b>Call for committed, agile leadership</b>
#7	Create purpose and ambition via strategic intent.



# #1: Differentiate risk and uncertainty.



## Risk World

The end game is clear.  
What we know.  
Driven by requirements.

### Technical or Infrastructure Requirements

Technology or infrastructure exists.  
Specifications are defined to develop a solution.

### Market or Mission Requirements

Market or mission is familiar, already exists.  
Data is available to support the business case.

### Resource Requirements

People and money are assigned.  
Projects are prioritized through a portfolio process.

### Organization Requirements

Projects have a home or sponsor.  
Commitment comes from a clear strategy and metrics.



## Uncertainty World

The end game is not clear.  
What we do not know yet.  
Driven by questions.

### Technical or Infrastructure Uncertainty:

Is it even feasible? What could we leverage or create?  
How could this change the world, performance or costs?

### Market or Mission Uncertainty

How do we learn about unfamiliar or nonexistent markets?  
How do we test new applications and business models?

### Resource Uncertainty

How do we find the right people and get seed funding?  
How do we fill our knowledge gaps internally, externally?

### Organization Uncertainty

How does this fit with our strategic ambitions?  
How do we seek support with no credible business case?

# #4: Prioritize capability development.

7. Appropriate Metrics and Reward Systems

6. System Resources (With Capacity)

5. Requisite Skills Development and Talent Management



1. Clear Purpose, Direction and Scope (with Strategic Intent)

2. Supportive Leadership & Culture

3. Identifiable Organization Structure, Processes and Rich Interfaces

4. Governance and Decision Making at Opportunity, Portfolio and Strategic Levels

# #6: Call for committed, agile leadership.

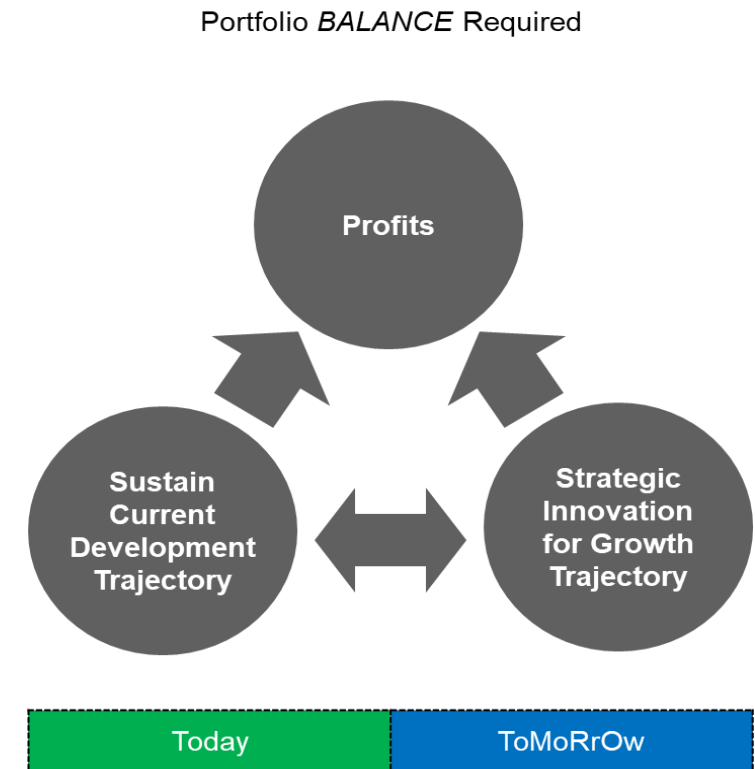
Managing organizational dilemmas, often with conflicting objectives



**1. Successful organizations excel at operations, incremental innovation and strategic innovation *simultaneously*.**

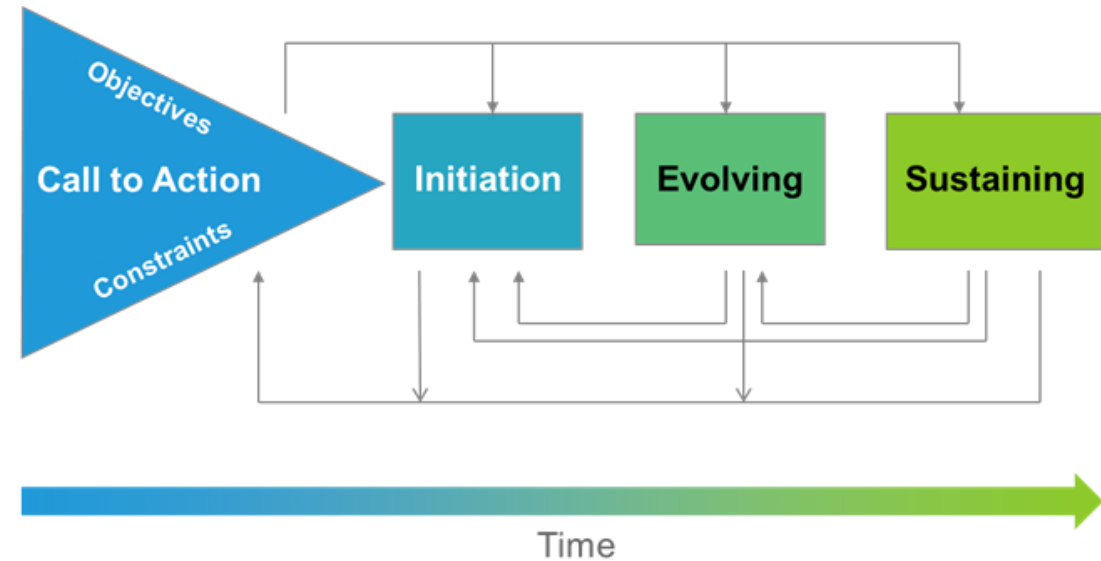
**2. Challenge of balancing important with urgent in the portfolio.**

- Urgent: Meet current business needs through operations and development/incremental innovation.
- Important: Dedicate resources for strategic innovation capability building.



# Building a Sustainable Capability

→ What does it take?



# Charting the Course

## The Right Opportunities

Follow a “portfolio of options” approach to allow for flexible team and funding allocation. Adopt an opportunity versus project mindset. Stay the course, pivot/redirect or stop.

## Thinking Big Enough

Think of options in Discovery. Be careful of selecting one application, one business model option and one future home too soon.

## Time for Experimentation

Allow time for experimentation in Incubation. Focus on speed of learning and learning per money spent. Do not transition to Acceleration too soon or too late.

## The Right Setup

Clarifying structure, mandate, roles and responsibilities as well as funding model. A common language to be on the same page. Metrics to support opportunity progression.

## The Right Teams

Discovery and Incubation skillsets are different from those required for Acceleration and development. Coaches are catalysts to enable the culture change.

Failure happens when we get ahead of our learning and drive to a solution too quickly!



# What Is Your Capacity for Innovation?

- What is your appetite for moving beyond what you do today?
- What level of business risk can you take on?
- How could you create an innovation strategy to transform your company?
- What would be required in terms of talent and investment?
- How would you build your management capability to be successful with strategic innovation?

Capacity Defined as...

The context and conditions for innovation in the company at a given time.

The ability and will to resource and pace opportunities from incremental through to transformational innovation

# Unlock the possibilities ... Join Us Today

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