

# Thoughts on Innovation

***If two people think the same, one is not necessary for innovation!***

# Barriers to Innovation

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- Management actions not aligned with expectations
- Too “loose” a definition of innovation
- Uncertainty of innovation focus
- Social systems not supportive of innovation
- Innovation ideas not willing to be heard
- Trust is missing

# Defining Innovation for Business

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- Innovation is the creation and introduction of new:
  - Products and services
  - Strategies
  - Systems
  - Structures
  - Processes
  - That generate *new sources of value & growth* for an organization

# What is Collaborative Innovation?

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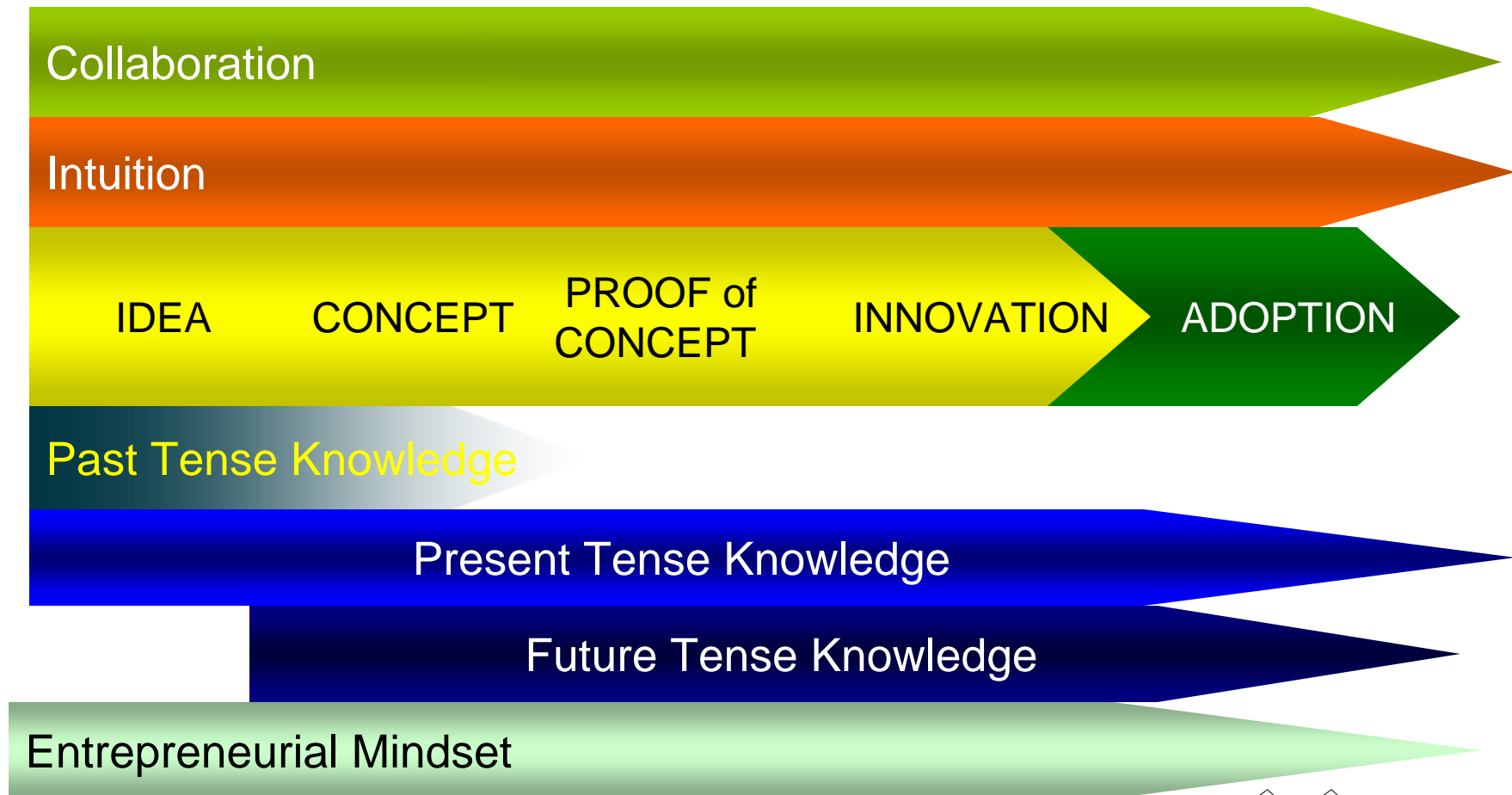
- Two or more people or organizations
  - Working together
  - Toward a common goal of generating new sources of growth or wealth
  - For their organization
- Innovation across internal and external boundaries:
  - Individuals
  - Teams
  - Functions
  - Business Units
  - Subsidiaries
  - Organizations
- Providing the diversity required for innovation

# Time and Knowledge

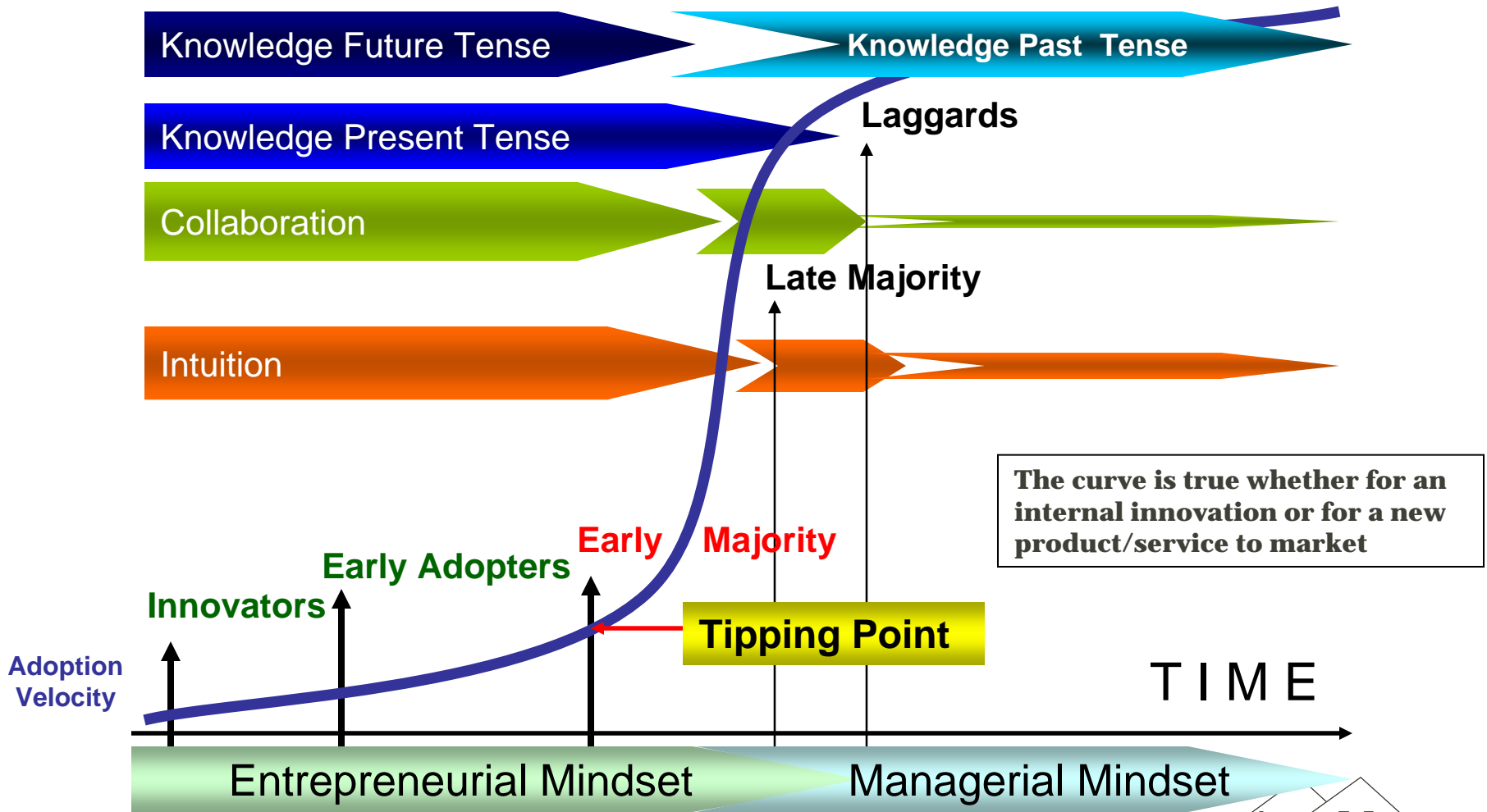
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- Knowledge Tenses
  - Past Tense (tacit, implicit & explicit)
  - Present Tense (inquiry & discovery)
  - Future Tense (possible, plausible, probable)
- Used at different times and in different ways in the innovation process
- Critical distinction for supporting innovation

# Innovation Process



# Innovation Adoption Curve



# Innovation Engine

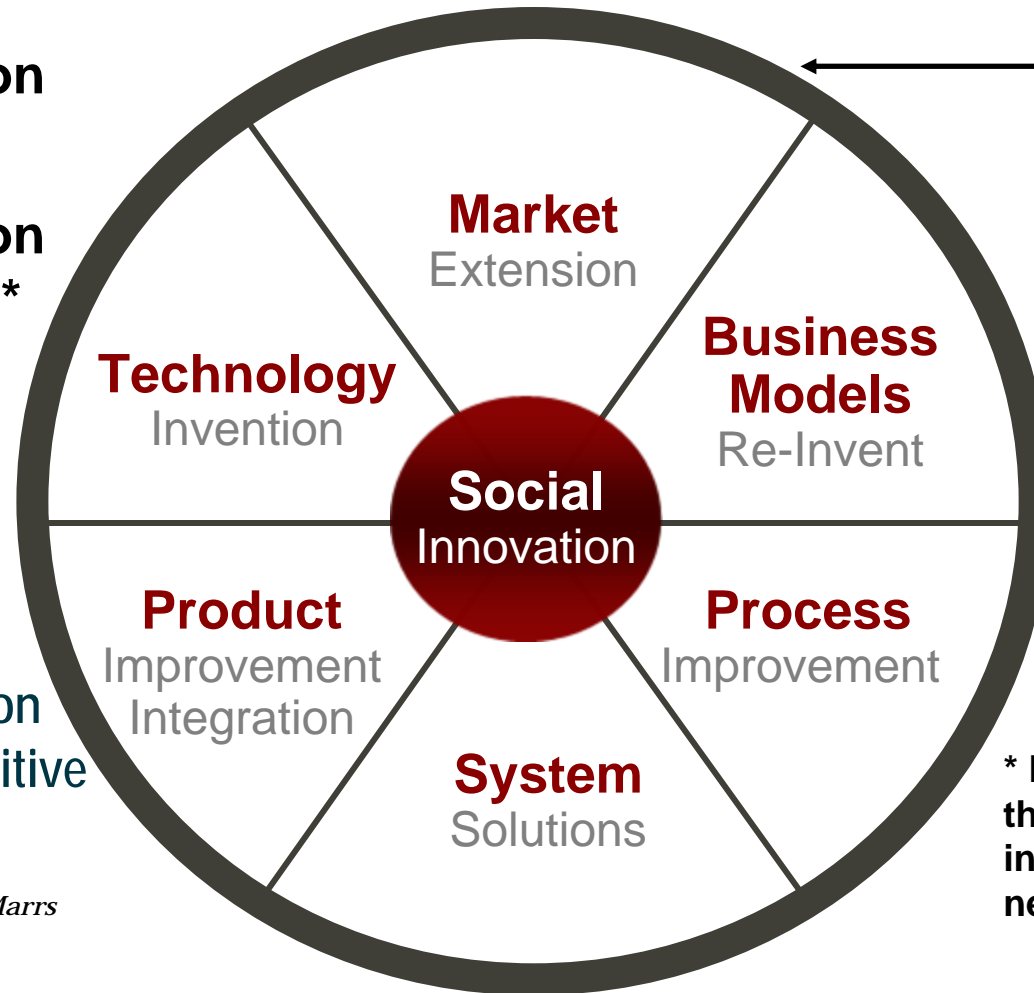
## 7 Types of Innovation

**80% of Innovation  
is not Technical**

**99% of Innovation  
is not Invention!\***

You must capture  
multiple forms and  
sources of innovation  
to be highly competitive

*Created and Revised by Richard Marrs  
April 2009*



**\* Patent searches show  
that 1% or less of all  
innovation is based on  
new inventions**

# Sources of Innovation

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- Internal - Hire for cognitive diversity!
- External - through cognitive diversity of compatible differences
  - External insight informs creation of new growth opportunities
    - Partners/potential partners
    - Competitors
    - Customers
    - Non-consumers
    - Industry players
    - Universities/research organizations
    - Emerging technology
    - Future Foresight
    - 20/20 Hindsight
- Understand the fallacy of experts and the decision to imitate
- Multiple views and disagreement = opportunities
- **Cautions:**
  - Customers can push you to the lowest common denominator - and can actually be a barrier to innovation
  - Productivity initiatives - unless done within an expected innovation framework - can stifle innovation

# Open Source Innovation

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- Using *external* sources across the 7 Innovation types:
  - Collaborative Innovation Networks
  - Collaborative Knowledge Networks
  - Open public requests (web site)
  - Innovation forums (web site = wiki's)
  - Alliances and partners, e.g.,
    - Suppliers, customers, peers, development, marketing and sales partners
  - Research institutions
  - Government departments and agencies

# Open Source Innovation Focus

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- Products
- Services
- Internal Processes
- Business Models

# Innovation Networks

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- Collaborative Innovation Networks (CoINs)
- Collaborative Knowledge Networks (CKNs)
- Both are
  - Objective/goal driven:
    - CoINs = focused innovation
    - CKNs = knowledge sharing about innovation(s)
  - Established by design
  - Facilitated, nurtured and supported with processes and tools
  - Internal or external
  - Boundary crossing
  - Measureable goals and results
  - Wrapped up when work is done
- Both *are not* social networks – goal is central, not a person or group

# Enhancing Innovation with Boundaries

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- Know what you want
  - Know:
    - What your company will do, and what it won't do – what is in scope and what is out of scope for innovation
    - What is thinkable, what is discussable, what is unthinkable
    - What is desirable
    - Understand your company's boundaries, and look and listen at boundary interfaces
- Do you have a lean forward management style or a lean back style?
- Map against networks, partner and potential partners

# Focusing Innovation

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- Innovation is not a game of random generated lotto numbers!
- Think of your company's business model & portfolio of processes, technology and products – does it want to:
  - Improve the core?
  - Generate new growth in the core?
  - Generate new growth beyond the core?
  - Do you want to sustain or breakthrough?
    - **Caution – improving the core can always overwhelm innovation!**
- Map against partners, suppliers, customers and potential partners – most innovative ideas don't come from perfect matches!
- Reward the right failures, not just success!  
Spend a little to learn a lot

# Why Innovation Metrics?

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- You get targeted innovation
- You increase your innovation velocity
- You improve your ability to launch
- You can show ROI, NPV, etc.
- You document your innovation pipeline, which is
- Your company's real growth story

**Do you have an Innovation Portfolio?**

# Ideas are Golden

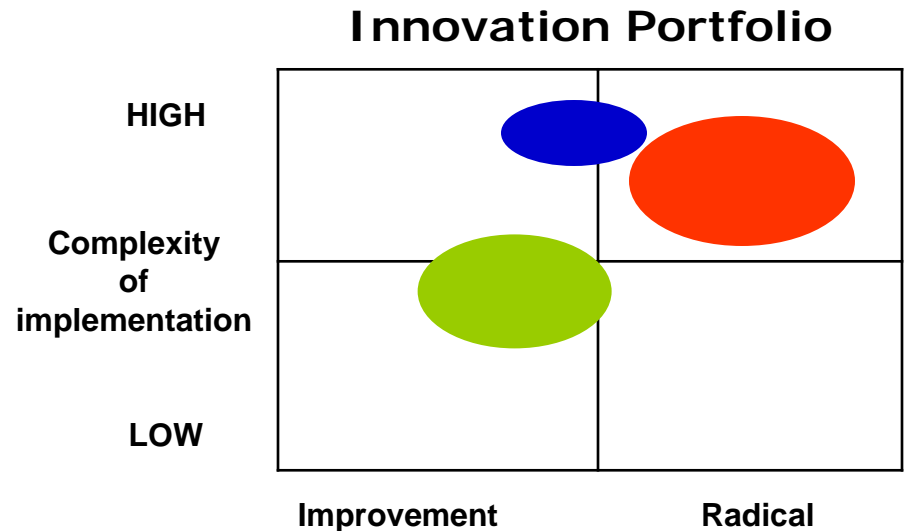
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- Ideas are the top of innovation tier
- Ideas proceed along a development pathway you define, e.g.:
  - Idea -> Concept -> Prototype -> Build -> Product Launch**
  - Idea -> Concept -> Process Development -> Adoption -> Use**
- Chart investment *and* potential revenues or cost reductions at each stage, and
- Calculate ROI and NPV
- You're using metrics, not anecdotes
- Use stage gating to move the idea through
  - Be ruthless in stopping innovation projects that are clearly not meeting expectations

# Metrics

Be as creative as you can in metrics – but make business sense!

- What can be measured?
  - Risk vs. Potential
  - Return on capital invested (\$ and people)
  - Type of innovation
  - Stages of idea creation and development
- Think of both 2D and 3D matrices by adding:
  - Time
  - Revenue
  - Cost to market
  - Etc.
    - Change size of balloon, etc.
- What other matrices can you think of?



**Map to partner**

**Find new partners by mapping to potential partners from research and Competitive Intelligence**

**Do you have an Innovation Portfolio?**

# Culture of Innovation?

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Culture- lagging or leading indicator of innovation?

- Culture really lags innovation – **if you foster innovation and reward it, culture will come along to match** – much easier than to try a major corporate culture shift!
- Groundwork is architecture and structures that allow innovation to flourish
- Align development paths with partners and potential partners where possible – but don't forget the innovative mis-matches!
- **Integrate innovation within business functions**
- Capture everything, screen, and track and stage gate until success or dropped – but don't forget the Rembrandts in the Attic!

# Innovation Considerations

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- Select innovations in products, services, processes etc., that fit the goal of maximizing the net value generated by the innovations
- The value of an innovation varies over time with idea, concept, proof and adoption
- Competing innovation projects always compete with other projects in the same space, and effect values
- Optimize innovation portfolios
  - When should a project be started, and what resources and when should be applied?
  - Know the NPV of any innovation project at any time within the development continuum

# Critical Characteristics

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- **Innovation is perishable** – it has a limited shelf life expectancy – why?
  - Changes in customer focus/affinities
  - Changes in the business environment
  - Changes in the health of the organization, etc.
- An innovation's value is sensitive to the time when it is initiated and how long it takes to completion to adoption or market, which
- Depends on the level of resources available to the project
- Innovation projects are in competition with other projects both within the organization and external to it

# About an Innovation

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- **Innovation is ephemeral** – it has a window of opportunity after which it is faced with profit-reducing competition
- Innovation activities are a perishable resource
- If not used, an innovation loses value - on a really steep curve
- Attempt to optimize innovation talent
- Direct investments to those ideas with highest return, concentrating resources, and completing in timeliest manner

# Reward Systems

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- Regardless of type, rewards must be aligned with innovation expectations
  - Recognition is always highest on employee's lists
  - Monetary
  - Equity
  - Spin-off business
- Misalignment in rewards to innovation expectations will stop innovation cold!

# Supporting Innovation

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- Networks = informal to formal CoINs and CKNs
- Identify/Map teams and networks
  - Stimulate
    - Process facilitation
    - Team design for cognitive diversity and compatible differences
  - Support with infrastructure for
    - Knowledge Generation (not just capture and archiving) with:
      - User created/managed Wikis, Blogs, etc.
      - Collaborative Innovation SaaS tools, e.g., Brightidea, Imaginatik, TheBrain, ACIS
      - Narrative capture tools and processes

# Innovation Implications

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- Information & ideas need to *flow through more* individual and collective channels - not caught in bottlenecks
- Don't try to eliminate overload; embrace the richness of knowledge-intensive collaborative environments
- Creating value through innovation is more about organizational culture and human cognition than business technologies and corporate structures
  - Pay attention to innovation infrastructure
  - Idea management comes first, track the:
  - Sources, development, investment & adoption

# But Wait, There's More!

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- Management's role in innovation is not to manage the past, but to facilitate the present and future
- Differentials in thinking and cognitive diversity is paramount for faster innovation!

## Final Thoughts:

- To accelerate innovation:
  - Manage for intuition
  - Manage for future tense knowledge
    - Past tense focus keeps you *behind* the curve
    - Present tense puts you *on* the curve
    - Future tense puts you *ahead* of the curve

# About Altamont Consulting Group

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**ALTAMONT CONSULTING GROUP** offers a suite of services focused on Innovation.

Services include consulting engagements, workshops, seminars, coaching and mentoring, and assessments and diagnostics.

Workshops are typically 1, 2, 3 and 4 days in duration, depending on focus and depth. They ensure learning and transfer of skills through direct application of key concepts, tools and techniques applied to the client's innovation needs. *Time compression* is a key feature of our workshops – clients report 3-6 months of work accomplished in 2, 3 or 4 days, depending on the workshop focus.

Seminars are usually 4 hours, and are designed to present new concepts for basic understanding – However, by design our seminars are highly interactive, and participants have opportunities to practice the concepts on real world issues and needs

Workshops and seminars include:

- Managing for Innovation
- Increasing Innovation Flows through Collaborative Innovation
- Productivity Focused Innovation
- Innovation Networks

Contact Us to learn how we can help you: **Collaborate. Innovate. Transform.**™

Richard Marrs

925-606-2954

richardmarrs@altamontcg.com

Visit our website at [www.altamontcg.com](http://www.altamontcg.com)





ALTAMONT CONSULTING GROUP LLC  
849 East Stanley Boulevard #474  
Livermore CA 94550-4008 USA

T: 925.606.2954 ■ F: 925.449.0371 ■ [info@altamontcg.com](mailto:info@altamontcg.com)  
[www.altamontcg.com](http://www.altamontcg.com)

