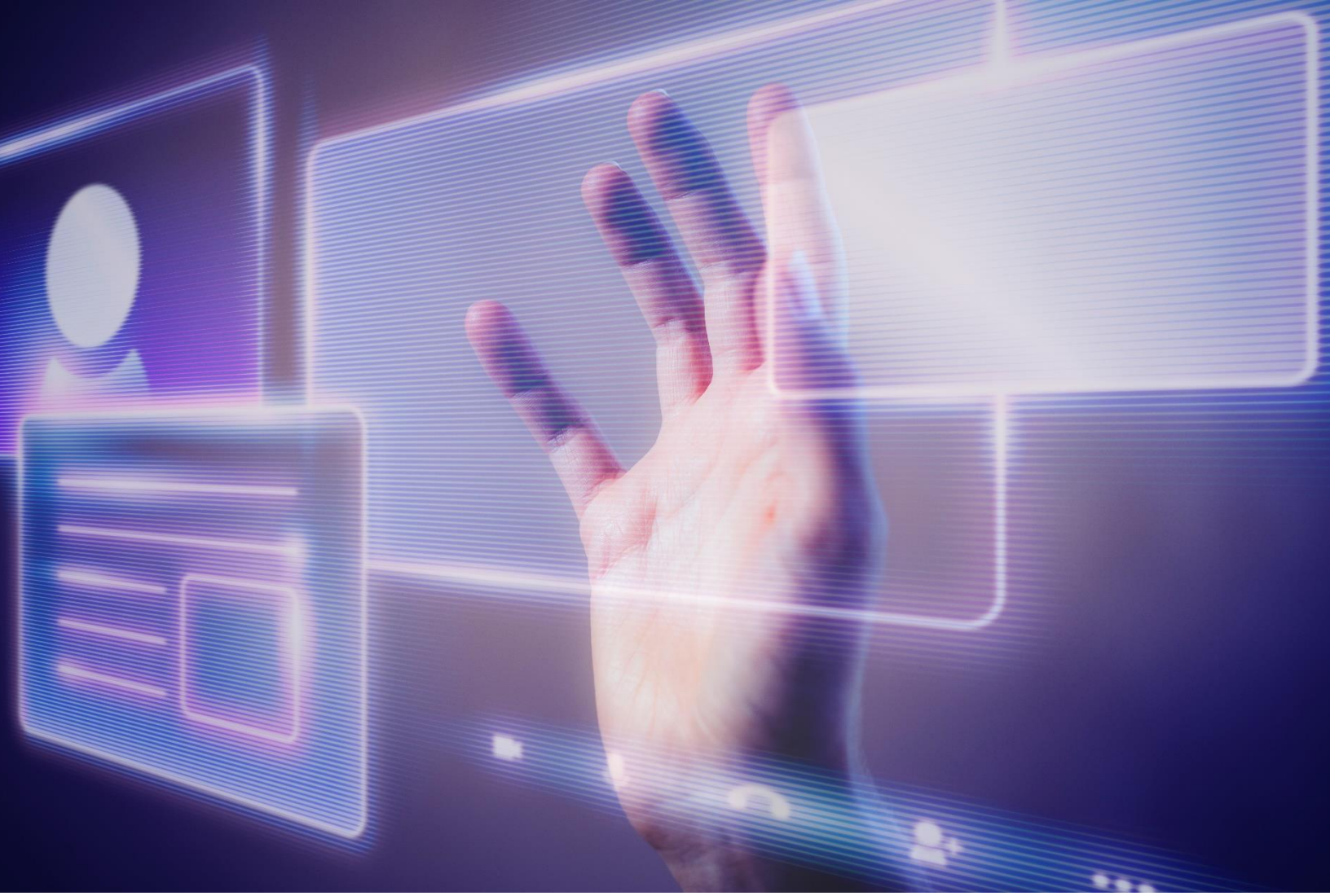


How to structure innovation?

LBC Innovative Transformation

There is a consensus that companies need to innovate quickly and that they need to mobilize and involve as many employees as possible in the innovation process. It is also known that a large proportion of innovation efforts – ideas and plans – fail.

Where should you start and how should you structure the innovation process in a company? This article addresses important questions in the process of structuring innovation in a company, without defining a concrete model in detail.

1. Institutionalizing innovation

Most companies find it difficult to manage the innovation process because... they don't have an institutionalized innovation process. They talk about innovation, they discuss innovation, they generate and develop new ideas, but they don't have formal models for thinking about and implementing innovation that are shared and adopted throughout the organization.

The truth is that there is no one model that is superior to all others and serves as a benchmark. The model must be developed according to the sector, the business and stage of the company, the products and services, the key people, the evolution of competitors and customers, among other factors.

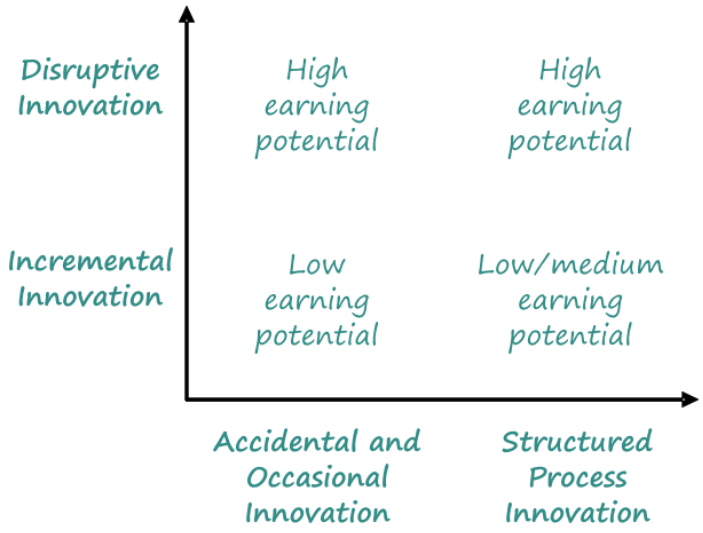
What is really important is for the company to have a framework or approach methodology and an action plan that is consistent and coherent between all its elements. But most companies simply don't have a formalized business process for innovation. Many others have a document, or a process defined somewhere, but which few in the company know about and even fewer use.

The evidence shows that a common denominator among innovation leaders is the existence of a formal and disciplined process for managing innovation, from idea to market launch, managing each stage rigorously and measuring the critical success factors at each stage.

Therefore, a large part of the innovation challenge begins to be overcome when you adopt a working framework, institutionalize a process, and actually implement the process. It doesn't have to be very complicated. "A journey of a thousand miles begins with one step". This initial model will signal an intention to the entire organization and will enable a learning and improvement process that should be guided more by subsequent day-to-day practice than by complex theoretical models.

2. Betting on strategic innovation

Evidence shows that innovation leaders link their innovation process to the strategic process and challenge the organization to look beyond the limits of the business and existing mental models and participate in generating new possibilities. Focusing on incremental and short-term innovation, with the sole aim of "growing the business", is positive but generates limited results. Disruptive innovation that challenges the business model of the company and the sector has the potential to generate significant gains and also incremental innovations.



Strategic innovation is focused on generating growth opportunities through new products, services, processes and business models that generate significant value for customers and the company.

3. Creating the conditions for success

In many cases, top management introduces an innovation model without creating the conditions for success. It's all too easy to adopt a "bold stroke" approach, a presentation designed to impress, with big ambitions and major changes in the way things are done, where employees are like spectators at a glamorous movie. Once the session is over, everything returns to normal life.

Once again, creating the conditions for success differs from case to case, but elements such as: raising awareness of the urgency and importance of innovation, informing and involving the whole company, mobilizing sponsors and allies at various levels of the organization, defining a clear ambition and operational KPIs (key performance indicators), training people in innovation and new tools, defining new incentives and introducing mechanisms for listening, involvement, support and performance measurement are common.

In addition, it is important to analyze the concrete barriers to innovation and work objectively to remove or mitigate them.

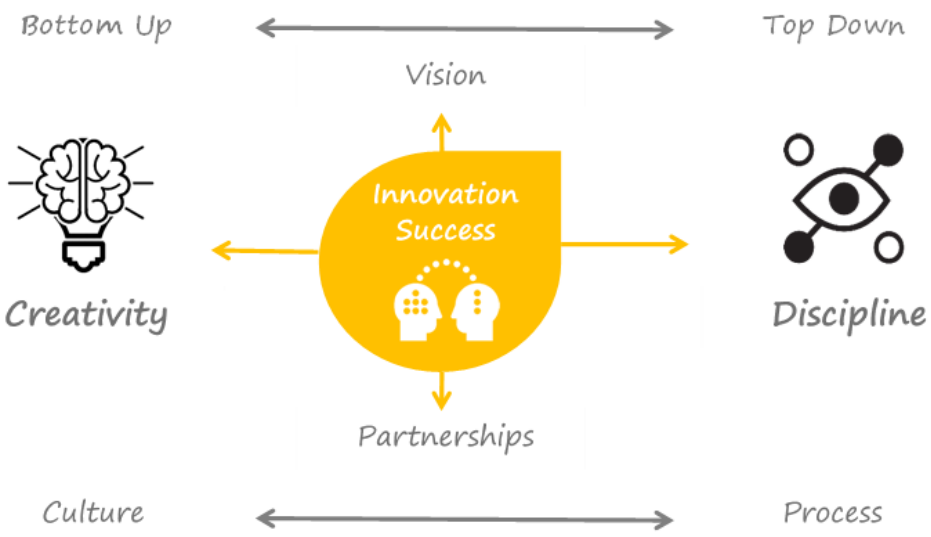
4. Choosing the model

Each company is unique, and the innovation model must be custom-built from reference models. Multiple factors influence the definition of each company's model.

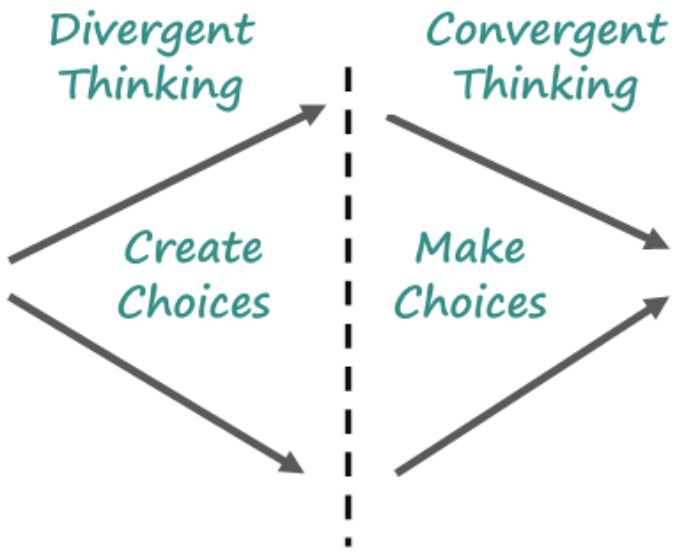
Innovation models have evolved considerably over the last few decades. The first were linear. The latest are network models.

The first wave corresponded to technological push models, starting from a scientific invention to a corresponding technological development, to an industrialization process, followed by a marketing push, concluding with sales. The second wave corresponded to a market push model, starting from market needs, to development, industrialization and sales. The third wave integrated the previous two and introduced feedback into the process. Cooper's Stage-Gate Model is the best known, has several advantages and is still relevant and applied today, if integrated with new strands of open innovation. The fourth wave is an interactive model that simultaneously integrates various functions within the company – marketing, product development, etc., a representative example of which is the MIRP (Minnesota Innovation Research Program). The fifth wave corresponds to network models that try to encompass the complexity of the innovation process by promoting the company's internal and external links, an example of which is the Creative Factory Systems Innovation Model. The sixth generation of innovation models is open innovation, a concept recently conceived by Chesbrough, in which innovation comes from collaborative mechanisms both internal and, above all, external to the company. The focus is no longer on the company, but on the ecosystem in which it operates.

Because of their importance, two fundamental elements stand out. Whatever model is adopted, it must ensure the two essential components of innovation: creativity and discipline. Creativity results from bottom-up processes and a culture of creativity. Discipline results from top-down, well-defined processes that are understood and applied by everyone in the company. These two legs must be exercised and perfected to run competitively and get ahead of the competition.



In addition, the model needs to ensure that the dominant convergent thinking in management and engineering is complemented by divergent thinking tools (for creating new possibilities) that enrich the innovation process. It is in this context that it becomes important to introduce tools such as design thinking, the customer journey, value creation forums (structured internal pitching), pretotyping, among others, and to open the company to external sources of innovation, especially interactions with start-ups and collaborative solutions with partners.



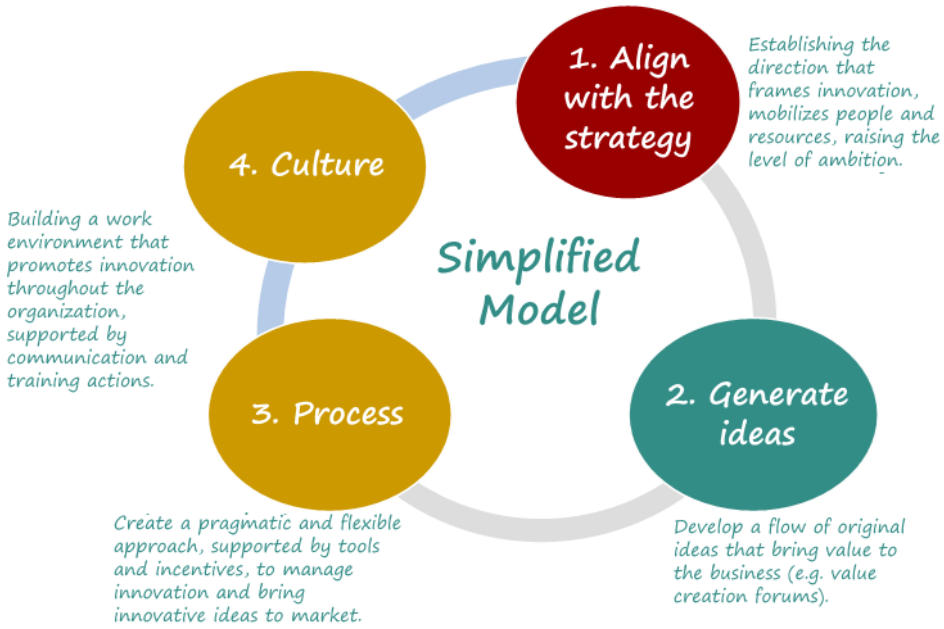
What is important to note from this analysis is that a good model must adopt the following principles:

- The innovation process needs a strategic framework to objectify and focus efforts and resources.
- Innovation must be geared towards identifying and satisfying customer needs ("pain") or aspirations.
- Segmenting innovation into stages helps focus resources and simplifies their management, providing clear decision points and facilitating control of the innovation process.
- The quality of innovations results directly from the quality of the innovation management process and not just from the creativity of employees.
- Creativity is not so much an act of inspiration, but essentially a process of opening the field of possibilities through divergent thinking, which must not be stifled by the company's culture, hierarchy and rules.
- The introduction of several points of interaction and rapid pretotyping – schematic or development, testing, feedback, refinement – increases the effectiveness of the process.
- Innovation is never an isolated act, but the result of multiple functional interactions, both internal and external, and of people with different perspectives.
- It is important not to neglect competition analysis. As well as being concerned with creating value, it is also necessary to ensure that the value created is captured.

5. Relevant models

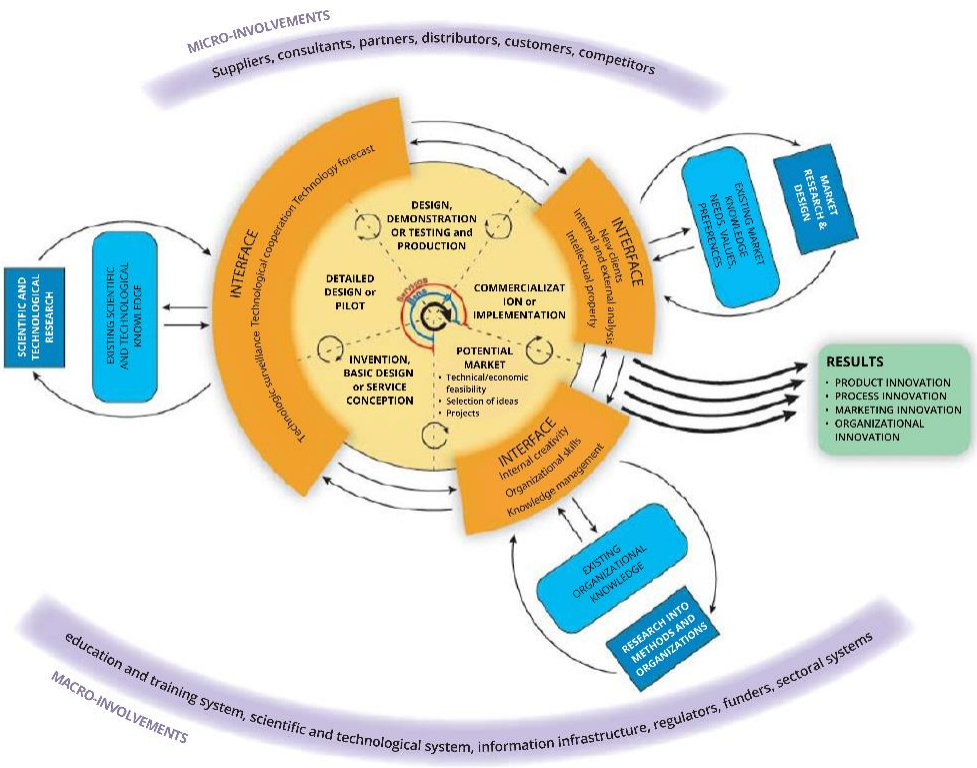
Of the many existing models, three types are worth mentioning: the simple model, the normative model and the strategic model.

The **simple model** has the advantage of being easy to implement. It consists of defining four areas of action and learning by doing.



Some companies opt for the **normative model** in order to obtain innovation certification (Normative Reference – Research, Development and Innovation Management System: NP 4456:2007 – Terminology and definitions of RDI activities; NP 4457:2007 – Requirements of the RDI management system: NP 4458:2007 – Requirements of an RDI project).

This model is simple to set up because it is standardized and tested, and it imposes discipline on the innovation process. However, there is a big difference between innovation bureaucracy and innovation management. In some cases, companies are more concerned with the formal compliance component, which can be cumbersome in some cases, and do not pay enough attention to the quality component of innovation.



The **strategic innovation model** is the one that makes it possible to design a solution that is most adapted to each company, as it involves an approach that is essentially strategic, totally focused on creating value for the customer and profits for the company. The essence of this model is to run a strategic checklist which can be simpler or denser depending on the size, ambition and resources of the company, and which can result in a simple model or a more complex model, and which for this reason does not have a graphic representation in this article.

Essentially, this model combines traditional strategic process tools with innovation tools focused on the customer and creativity. The steps in building the model are: 1. diagnosis (of strategic threat, innovation culture, internal processes, etc.); 2. definition and strategic alignment of innovation; 3. definition of innovation objectives, process and plan; 4. creating the conditions for success; 5. implementation focused on new products, services, processes and business models.

Important components of this model are the promotion of a culture of innovation throughout the company; the introduction or reinforcement of processes for understanding customer needs; the demanding identification of market needs and opportunities; the development of innovation champions and teams; the introduction and training in new innovation tools; technological and competitive vigilance; a solid process for generating, filtering and taking ideas to market; the adaptation of company incentives; the establishment of partnerships and interaction with entities outside the company; the allocation of key resources and the permanent measurement of results.

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