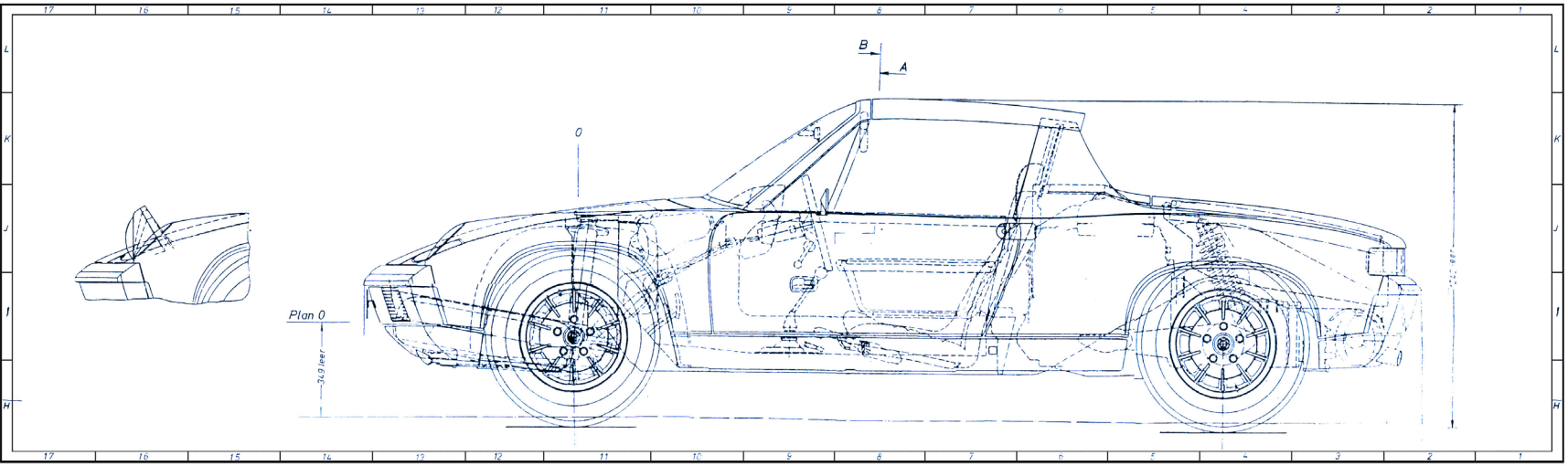
Research

BLUEPRINTS FOR CORPORATE INNOVATORS

TOOLS, TEMPLATES, AND RESOURCES FOR MAKING CHANGE



One of the big projects we've been working on at Innovation Leader over the past year...

...has been building tools, templates, and other resources to help people working on innovation in large organizations. We've created PowerPoint presentations, spreadsheets, idea scorecards, a glossary of terminology, and many others. We're excited to collect them for the first time in this report, but some of them will be more useful in digital form, where you can edit them for your own situation (find them at innovationleader.com/resources, in the tab labeled Innovation Leader Resources.)

Everything in this report has benefitted from input from our community of corporate innovation, strategy, and R&D leaders. And some of these specific resources have been created by people who have been in one of those roles recently, like Aaron Proietti (formerly an SVP of Innovation at Transamerica) and Rachael Schwartz (formerly a VP of Product Management and Innovation at Keurig). We're grateful to everyone for their input and ideas, as well as to our friends at HYPE Innovation for their support of this project.

Some of these resources will be useful in the first year or two of a new initiative; others are designed to help assess or upgrade an existing program. At the top of each resource, you'll find some notes on how it is designed to be used.

We hope to keep this project going, so if there are other resources or tools you'd find useful, drop me a note!

Thanks,

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A Glossary of Innovation Terms and Strategies

The terminology used by executives involved in corporate innovation and new ventures can be confusing to newbies — and it's constantly evolving, often pulling in new language and concepts from the realms of entrepreneurship, academia, and consulting. Here's our glossary of terms commonly used by leaders of innovation, R&D, and new product development groups in large companies.

Innovation Methodologies and Approaches

Agile development: A set of methodologies, most notably used in software development, where solutions evolve through iteration and the work of self-organized teams.

Adjacent innovation: Leveraging something a company or product already does well in a new or innovative way. Less closely tied to the core business than incremental innovation, below.

Back end: The later stages of a design or development process, when something is closer to production, deployment, or roll-out.

Champion/catalyst network: A group of employees within a company who receive innovation training, and are tasked with promoting the innovation agenda, events, and competitions. Champions or catalysts often train others in innovation methodologies and tools, like design thinking or lean startup; work with customers or business partners to create new products and services; and scout market trends, disruptive startups, or otherwise gather market intelligence.

Co-creation: A product development approach that brings multiple entities together to come up with solutions or new concepts — often customers, suppliers, startups, or business partners.

Customer insights: Also known as consumer insights, this is the collection of customer feedback, trends, or observed customer behavior that may guide the design of new offerings or overall corporate strategy.

Design thinking: Applying design methods and principles — like empathy, observation, and experimentation — to solve problems or develop new offerings.

Front end: The early stages of an innovation, design, or product development process, when you are soliciting ideas, building prototypes, and testing them with customers.

Incremental innovation: Small and simple improvements or tweaks made to a product or strategy. Refers to innovation that is closely tied to the core business, unlike adjacent or transformational innovation.

Innovation pipeline: A visual metaphor for the progression of ideas through a "pipeline" of development. The pipeline typically begins with many ideas. As ideas are prototyped, tested, and refined, some are winnowed out as others proceed further down the pipeline. Ideally, the highest-potential ideas make it to the final stage of the pipeline, when they are rolled out or implemented.

Lean Startup: A product development approach that espouses frequent input from customers, and refinements to the product based on what they will actually pay for — not just what they say they like. The lean startup approach includes three phases: build, measure, and learn. It encourages the creation of "minimum viable products" that can be tested in the market quickly, instead of more expensive, polished products.

MVP, or minimum viable product: The minimum viable product is the simplest form of a product that will satisfy a customer, and ideally lead to a purchase. MVPs are useful to gather input for future development or refinement.

Open innovation: An approach to seeking ideas, technology, and solutions from outside a company's walls. May involve posting an open challenge that outsiders can respond to. Sometimes called "external innovation" or "crowdsourcing."

Rapid prototyping: Strategies and tools used to create a quick model or prototype of a proposed product or concept. Sometimes these can be paper or digital mock-ups, or 3D-printed prototypes.

Scalability: The ability for a product or service to maintain its functionality in times of high-demand or high work-load situations, or after a large-scale commercial roll-out.

Scrum: A portion the agile development process in which a self-organized, cross-functional team (scrum team) develops a potential solution for a problem. A scrum can consist of multiple "sprints," or time-limited work sessions focused on a specific piece of a project.

Transformational innovation: The most long-term mode of innovation, which companies often find too risky to invest in. This often involves entering an entirely new market segment, using a new distribution strategy, testing a new business model, etc. Very loosely tied to the core business, unlike incremental or adjacent innovation.

Vitality Index: A way to measure the output of innovation, product development or R&D initiatives. Originally created by 3M, the Vitality Index is a tally of the percent of total revenues generated by products that have been released in a defined timeframe, often the prior three to five years.

Innovation Models

Disruptive innovation: A term popularized by author and Harvard Business School professor Clayton Christensen, it describes a process by which a product or service starts off by doing simple things, inexpensively, for less sophisticated customers. At this stage, it is ignored by incumbents, who are extracting profits from more demanding, sophisticated, and price-insensitive users. But the new product or service relentlessly moves up-market, eventually "disrupting" established competitors.

Innovation Life Cycle: Also referred to as the Technology Adoption Life Cycle or the Diffusion of Innovations, this theory tries to explain how an innovation or product is adopted into society. The cycle was first published in the 1962 book, "Diffusion of Innovations" by Everett Rogers. Groups adopting a product are often referred to as Innovators, Early Adopters, Early/Late Majority, and Laggards. Here is a simplified description of each cycle phase:

- **Innovators**: The first to know about, or be involved with developing, an innovation.
- **Early adopters**: The people who are always in search of new and innovative products. They are also seen as those who will recommend purchasing a new innovation.
- **Early majority**: The next group of people are drawn to an innovation in part because of hype and marketing, and in part because of its usefulness.
- **Late majority**: Those who pick up on technology and innovation at the average speed. Usefulness is often a key requirement of tools they are using.
- **Laggards**: The last group of people, who only reluctantly begin using an innovation or product.
- **Crossing the Chasm**: When a product moves from early adopter support to early majority support.

McKinsey's Three Horizons of Growth: Describes the different time horizons of innovation activity and investment. Companies may mark horizons by years, goals achieved, or other milestones.

- **Horizon 1**: The present, when the core business provides plentiful profits and cash flow. The company's focus is on improving performance and eking out additional market share.
- **Horizon 2**: The near future, when emerging opportunities and technologies may start to pose a threat. Preparing for this horizon may require investments that won't produce an immediate return.
- **Horizon 3**: The far future, when today's small ventures, research projects, pilot programs, or minority stakes in new businesses could create significant new revenue streams.

Types of Labs & Offices

Innovation lab: A place designed to foster brainstorming, collaborative work, prototyping, or interaction with partners and customers. Innovation labs often feature open workspace and office design that is more conducive to collaboration than more traditional environments.

- **Concept development lab**: Intended to create new products or services, or test new business ideas. Often involves a core group of "intrapreneurs" with marketing, tech, and product development experience. Many of these labs also bring in customers, business partners, or startups to "co-create" or otherwise participate in the process.
- **Makerspace**: A space set up with prototyping technologies, from 3D printers to drill presses to sewing machines, to be used by employees working on projects related to the business — or simply learning an array of new tools and techniques.
- **Showcase lab**: A nicely-designed showcase for "cool new stuff" the company has been prototyping or testing, or a place to hold brainstorming meetings or training sessions where "out of the box" thinking is desired and encouraged.
- **Skunkworks**: Usually away from corporate headquarters, given lots of freedom to experiment, and charged with focusing on long-term initiatives.

Sometimes staffed with talent new to your industry, to bring in fresh perspectives.
- **Venture/Ecosystem lab**: Intended primarily to source and oversee venture capital investments, or create new connections with the startup ecosystem.

Funding, Events, Contests

Crowdfunding: When a startup or company seeks pre-orders or donations from customers to test market interest and support the production of an item. The entity running the crowdfunding "campaign" often offers different incentives for different levels of financial support, like discounted pricing, early delivery, or special packages. Two popular crowdfunding platforms are:
- **Kickstarter**: Founded in 2009, Kickstarter has collected pre-orders and financial support for products like the Pebble smartwatch, the Formlabs 3-D printer, and board games like Zombicide.
- **Indiegogo**: Founded in 2007, initially to support independent filmmakers, Indiegogo works with startups, independent creators, and increasingly large companies like Bose, GE, and Hasbro.

Hackathon: A time-limited work session often focused on solving a specific problem or addressing an issue, held over the course of a day, weekend, or month. Teams form with members that have different skill-sets. Often, there is a pitch-off or presentation at the end of the hackathon, and prizes are awarded to the best projects that emerge.

Idea challenge: A company-wide initiative inviting employees from across the company to contribute ideas or concepts, often focused on a particular problem area or issue.

Startups and Corporate Venture Capital

Angel investor: An individual investor who offers funding, mentoring, introductions, and other help with the eventual goal of a return on investment. Angels usually invest at the earliest, or seed stage, before venture capitalists get involved with a company.

Corporate venture capital: A group inside a large company that invests money into startups, in exchange for a piece of equity and often a seat on the startup's board. The hope is that these investments will help the large company understand newly-developing markets and technologies better, and will also deliver a financial return. Some corporate VCs are more focused on financial returns, but most are interested in the strategic benefits, like potentially integrating or distributing a technology from the startup.

IPO: Initial Public Offering. When a company "goes public" and offers its shares to the public for purchase. Companies must register with the SEC (Securities and Exchange Commission) prior to the event.

"Killing the Butterfly:" When a startup is acquired by a larger company that squashes the startup's culture, often resulting in mass employee departures. This can also happen when startups and large companies collaborate on projects.

Seed stage, A round, B round, etc.: Terms used to describe the maturity of a startup based on how much funding it has received. Seed stage is the earliest stage of funding, when money often comes from angel investors, friends and family, or venture capital funds that invest in the seed stage. As the company progresses, it will eventually raise an "A round" of venture capital, then a "B round," etc.

Shared workspace / Co-working space: A collaborative office space with common areas and facilities, like a kitchen, conference room, or mailroom, allowing businesses to work and grow without worrying about office management tasks. These are often rented by budget-conscious startups. But increasingly, large companies are situating teams working on new business creation or innovation projects in these shared workspaces, so that they can have distance from the traditional corporate environment, be surrounded by entrepreneurs, or both.

Startup accelerator: Fixed-term programs that allow a startup to receive mentorship, education, and other services needed to get it to its next stage. The best-known of the accelerator programs are Y Combinator, Techstars, and MassChallenge. Most accelerator programs conclude with an investor pitch event.

Startup incubator: Physical spaces often run by non-profit organizations, which aim to help entrepreneurs develop a new business. There is often an application process which can be just as selective as an accelerator program.

How Not to Fail: A Visual Tool for Managing Your Innovation Program The Smart Way

By Jennifer Dunn, Director of Customer Success, HYPE Innovation

"Innovation is easy," said no one ever. If you ever hear an innovation manager utter those words, they are either a) lying through their teeth, b) delusional, or c) doing it wrong. Or, most likely, it's a combination of all three. Innovation is not easy. And often, it's because of our own doing. One of the most common things we hear innovation managers say is that they'd simplify everything if they could start over.

As a previous innovation manager myself, I can attest to the fact that we often (unintentionally) overcomplicate the process. There are so many challenges and opportunities to lose focus within your innovation program, which makes it all too easy to become distracted. To help innovation teams focus on the key aspects of their program, both at the macro and the micro level, and to continuously assess the health of the program, I'm going to share a visual tool that's used by innovation managers worldwide.

Ideation. Collaboration. Leadership.

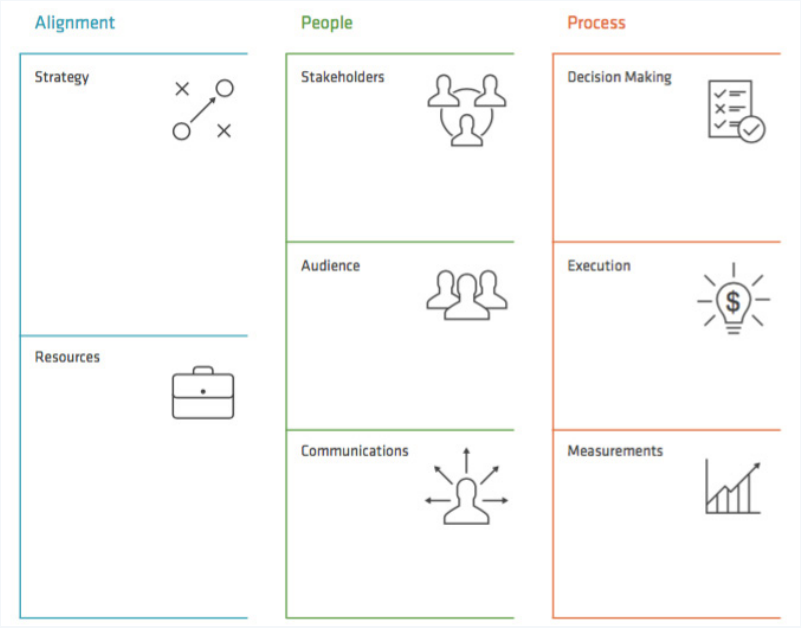
Innovation managers, especially those just starting out, plan their first steps by listing all the things they think they need (gamification, rewards, complex reviewing methods, etc.). Instead, consider what really matters. At the core of your program, all you need are the basic principles of alignment, people, and process.

But how do you stay focused on these principles throughout your program? That's where our proven visual tool, the Collaborative Innovation Canvas, comes in. Created by innovation expert Tim Woods, the Collaborative Innovation Canvas (CIC), provides a shared way to focus on the core elements of a program.

Woods based the CIC on Alexander Osterwalder and Yves Pigneur's Business Model Canvas, exemplifying a way to take a complicated and exhaustive subject (business model generation) and condense it into a single visual that everyone can understand and work on. Let's look at how the CIC breaks down below.

3 Pillars of Collaborative Innovation

The Canvas is based on three pillars – Alignment, People, and Process – which are the fundamental driving forces behind a successful innovation management program. Within those three pillars, there are eight specific areas, which play a critical role in shaping the success or failure of any program.



Download a larger version at www.hypeinnovation.com/canvas

Pillar #1 - Alignment

Without alignment, an initiative will likely starve and eventually die. Aligning the innovation management program with the company's core business goals and needs is vital to the program's success. It's the fastest way to build acceptance and momentum while retaining an edge for creativity and exploration. Alignment is made up of two core areas: Strategy and Resources.

Strategy

Start with your strategy. It may seem obvious, but many companies skip this part. Use this box to provide focus and zone in on your company's strategic areas of interest. Take some time and write down what you'd like to achieve with an

innovation platform. What does success look like in the short-, medium-, and long-term?

Resources
An innovation program needs resources, such as the team itself, the physical spaces for workshops and meetings, the budget for investing in ideas, and methods and tools to support idea generation and development.

Pillar #2 - People

People are central to any innovation activity. You need diversity and creativity to generate novel ideas, and you need discipline and know-how to implement them. Building a culture which can flex between both worlds is the Holy Grail for innovation management. Under this pillar, we have three core areas: Stakeholders, Audience, and Communications.

Stakeholders
An ideation platform will not gain ongoing traction with end-user adoption alone; it must have support from top management. You need to determine your stakeholders, know what influences them, and understand how to manage them. You also need to consider the innovation advocates – these champions will be critical to your success.

Audience
Determine who the target audience is for your platform. Is it all employees, specific business units, customers, partners, academia, or maybe the public? Once you understand your audience, you'll also want to consider cultural groups within it, such as the skeptics, and decide how best to handle them.

Communications
To grasp your audience's attention, think like a marketer. How can you communicate the value of having everybody involved in innovation? Who are the key hubs in the organization to help spread the word? What materials do you need to produce? For example, a consumer product company we work with sent out little boxes to 500 lead users. In the box was a mini-Einstein desk figure with instructions on how to log in and use the platform.

Pillar #3 – Process

Processes drive repeatable success within innovation management. They're also what enables innovation to be a part of everybody's job. The right workflows can turn a fringe innovation program into a repeatable, widely adopted, and sustainable business activity. The main aspects to consider when mapping out your innovation process are Decision Making, Execution, and Measurements.

Decision Making
Deciding which ideas to move forward, and which ones to invest resources in, can be a tricky phase for innovation teams. It often involves multiple stakeholders and review experts, and this group can be unique for every idea campaign. If not defined properly, it will also be time-consuming and delay the feedback process to the idea authors. The evaluation process can be different per campaign.

Execution
The other side of innovation is all about execution. How do you turn those fragments of ideas into revenue generation? Is there funding in place? Do you have a process to handle different types of ideas: a fast track for small cost-saving ideas and a more in-depth elaboration cycle for complex breakthrough innovations? Do you have a method ready to assess and build out these ideas, such as lean startup's "build-measure-learn?"

Measurements
Defining and fulfilling key performance indicators is crucial for your program's success. What does success look like for you? The answer will change as your program grows in maturity. Your KPIs need to reflect that.

Conclusion

Did you know that many collaborative innovation programs fail within two years of their launch? The reason often stems from not fully developing one or more of the areas on this canvas. If you want your program to thrive and be self-sustaining, you'll want to fill out this canvas and continuously review it to assess the health of the program.

Just as Osterwalder and Pigneur describe the benefits that the Business Model Canvas can bring to the company, the same immediate benefits apply to the Collaborative Innovation Canvas, including:

- A visual depiction that everyone can understand and share
- Capturing the big picture and reducing the inherent complexity of innovation
- Recognizing the crucial relationships at play that make innovation successful
- Providing a collective reference point to return to

I invite you to download the full Collaborative Innovation Canvas to access the Canvas Assessment tool, learn about common roadblocks, and see real-world examples of how enterprise companies are using the Collaborative Innovation Canvas in their innovation management programs.

Download the canvas at www.hypeinnovation.com/canvas.

Six Types of Innovation Lab: Pros and Cons

What are the various "flavors" of innovation lab a company can set up? We've now written about or visited dozens of labs run by Global 1000 companies. This list lays out the six primary types we've seen — though there are "hybrids" which combine aspects of these — as well as the pros and cons of each.

1. Concept Development Lab

What It Is: Intended to create new products or services, or test new business ideas. Often involves a core group of "intrapreneurs" with marketing, tech, and product development experience. Many of these labs also bring in customers, business partners, or startups to "co-create" or otherwise participate in the process.

Pros: The most common approach we see to labs, this model requires a delicate balance when it comes to the right staffing, appropriate funding to build prototypes, and distance from the core business. They can in some cases be well-connected to business units for agenda-setting, input, and eventual roll-out, while having enough freedom to explore high-potential ideas.

Cons: These labs rarely pursue truly disruptive innovations, and are better structured to pursue incremental and adjacent concepts. Politics often haunt these labs, as leadership and business units vie for access and control, or withhold funding. Requires politically-savvy leadership, not just technical or operational chops.

Gas station mockup at Visa's One Market Innovation Lab in San Francisco.

Examples: Fidelity Labs, Visa One Market Innovation Lab, MasterCard Labs, Medtronic Applied Innovation Lab, CVS Digital Innovation Lab

2. Skunkworks

What It Is: Usually located away from corporate headquarters, given lots of freedom to experiment, and charged with focusing on long-term initiatives. Often staffed with talent that hasn't worked in your industry before.

Pros: Great way to pursue "Horizon 3" or disruptive technologies and business models. Remaining completely separate and insulated from the business units makes this easier.

Cons: The "pros" of this approach are also the "cons": skunkworks are so separate and remote from the core business that they are seen as unchecked, strategically divergent, and (sometimes) expendable.

Examples: Lowe's Innovation Labs, Shell TechWorks, Lockheed Martin Skunk Works

3. Makerspace

What It Is: A space set up with prototyping technologies, from 3D printers to drill presses to sewing machines, to be used by employees working on projects related to the business — or simply learning an array of new tools and techniques.

Pros: Great way to provide innovative employees with the latest technical tools to pursue their passions — and potentially business objectives, too. Can become more valuable when entrepreneurs are invited to use the makerspace, and the company is benefitting from their input, or the "brand" benefits of being a more significant contributor to the local ecosystem.

Cons: Often perceived as a nice-to-have employee perk but not sufficiently strategic.

Examples: Northrop Grumman FabLab, Google Garage, Autodesk Pier 9, GE/Haier FirstBuild

4. Venture/Ecosystem Lab

What It Is: Intended primarily to source and oversee venture capital investments, or create new connections with the startup ecosystem.

Pros: Can help shift companies away from an "everything must be invented here" mentality towards more openness and permeability to outside sources of innovation. Can also show that a company is serious about making investments in, or collaborating with, startups and entrepreneurs.

Cons: Connectivity with the "mothership" can be a challenge. Takes a long time to really develop roots in a city. When strategy or the company's financial situation shifts, these are often the first to go. (As was the case with Target's "Food + Future" lab in 2017.)

Examples: Johnson & Johnson Innovation Centers, Target's Food + Future coLab, Cambia Grove, Barclay's Rise

5. Showcase/Meeting Space

What It Is: A nicely-designed showcase for "cool new stuff" the company has been prototyping or testing, or a place to hold brainstorming meetings or training sessions where "out of the box" thinking is desired and encouraged.

Pros: If your goal is to better communicate your capabilities to customers,

Entrepreneurs work at Rise New York, an ecosystem lab operated by Barclays in Manhattan.

prospects, and business partners, showcase spaces can be a constructive approach.

Cons: These showcases can be expensive to design, build, staff, and keep up-to-date, and are sometimes met internally with eye-rolling and cynicism. Besides a few tinkerers, there usually isn't much hard-core development taking place.

Examples: Verizon Innovation Centers, Disney iD8, past iterations of Humana's innovation lab

6. LINO (Lab in Name Only)

What It Is: Take a typical marketing, software development, or R&D group ... give them a foosball table, standing desks, and a few Yogibo beanbags ... and call it a "lab."

Pros: Can sometimes aid with recruiting and retention, and boost internal morale.

Cons: Same people, processes, and bureaucracy in a new environment. Can also foment jealousy among other groups and functions — "why don't we get a lab?"

What's the Level of Innovation Urgency at Your Organization?

How much urgency is there around innovation at your company? The answer to this question can influence how much resistance you'll face as an internal change-maker, or the resources you can access. Check the answers that best describe your organization below, and add up the totals to determine your urgency. You can also take this test online and get it automatically scored at www.innovationleader.com/assessment-test-level-of-innovation-urgency.

Directions: Start with 0 points. Add or subtract points for each "Yes."

We're having trouble attracting the best talent	Y / N	+2
CEO or other senior executives declaring, "We need to be more innovative"	Y / N	+1
Competitors — whether startups or traditional rivals — are leapfrogging us	Y / N	+2
Regulatory "moats" insulate us from change; block new entrants to our industry	Y / N	–2
Still working our way through a massive merger (or acquisition)	Y / N	–1
We have an R&D team; senior leaders believe that all innovation will come from that group	Y / N	–1
Customer behavior or buying habits are changing	Y / N	+2
Growth is stagnating in several key businesses	Y / N	+2
Emerging technologies have the potential to change how we work or how we sell	Y / N	+1
Activist investors taking stake in company and pushing for change	Y / N	–2
Customers demand new offerings/solutions	Y / N	+2
Our profit margins are low and getting lower	Y / N	–2
Total Points:		

Less than 0 points

Extremely Low Innovation Urgency: Things other than innovation are more pressing priorities in your organization, and the resources to support a new innovation initiative are likely scarce. In addition to marshaling the support of your leadership, you'll need to begin making the case for why innovation needs to be part of the future vision.

0-3 Points

Low Innovation Urgency: The challenge with a low level of urgency is making the case for why innovation needs to be part of the strategy: what are the competitive threats emerging? With this level of urgency, there is typically a lot of foundational work to be done to get colleagues aligned around the need to do things differently.

4-7 Points

Moderate Innovation Urgency: The desire to do things differently is starting to emerge, as market signals and customer shifts become apparent. But getting resources can still be a challenge, as can ensuring that the groups "responsible for" different types of innovation are getting the necessary support from organization.

8-9 Points

High Innovation Urgency : The status quo is no longer working for the organization. New ways of understanding customer needs, coordinating internal activities, running experiments, and scaling what works are essential. Clarifying roles tends to become important: who is responsible and accountable for delivering results?

10-12 Points

Extremely High Innovation Urgency: This is the "five-alarm fire" level, when no one can ignore the need to innovate because the company's very existence is in doubt. But even as urgency spikes, there can be unreasonable expectations about how quickly new efforts to innovate will deliver results, and a focus on cutting costs or squeezing growth out of established businesses, rather than trying anything new and risky.

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- ✓ 5 pillars of a successful solution
- ✓ Must-ask questions for reference calls
- ✓ Top 10 essential selection criteria
- ✓ Vendor comparison checklist

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