Many enterprises face the challenge of becoming or remaining innovative, with several looking to start-ups and dreaming of matching their agility and culture of innovation. However, large companies have substantially more to deal with than start-ups, such as compliance rules, more complex stakeholder landscapes and longer, more formal decision-making chains. All these factors can serve to choke the innovative drive of passionate people with good ideas. Enterprises need a method for systematically and effectively converting innovation into value, a method that they can use to repeat this success time and again.

Sustainable and disruptive innovation
To innovate successfully, companies might find it helpful to distinguish between two types of innovation:
- Sustainable innovation
- Disruptive innovation
Sustainable innovation concerns making ongoing improvements to products and services, such as adding new features and strengthening stability, structures, durability, etc., all in order to maintain market performance. The term also covers improvements in production and development processes that use new technology to create products more effectively.

Disruptive innovation concerns the innovative steps companies take to ensure longer-term growth through new customer segments, products or markets. This innovation is disruptive because companies have to completely rethink their value propositions. The spotlight is on better understanding their customers’ context. What task are they specifically trying to perform? Perhaps enterprises will identify new needs and potentials and find ways to combine existing and new products and services in new business models.

THE INNOVATION STRATEGY WHEEL
Ensure innovation creates value by using an innovation strategy wheel containing methodical, strategic, idea management, cultural and organisational aspects.
Create an innovation strategy wheel
Regardless of whether your company is pursuing sustainable or disruptive innovation, large companies can actually create an innovation process that produces results and can be repeated. However, this takes dedicated effort and a management team prepared to lead cultural change. Using a so-called innovation strategy wheel ensures an innovation process that creates value.

Idea management
Ideas and creative invention are a cornerstone of innovation, and employees are often very good at getting ideas, provided they are given the right conditions and frameworks. A structured approach to idea development is therefore vital. Large companies should have an “idea accelerator” to systematise and boost the speed of idea development. An idea accelerator is a tried-and-true, systematic process that runs through three phases. The first phase involves brainstorming ideas that are then documented and grouped into an idea pool. The next phase focuses on validating selected ideas in relation to the value they add in light of the individual company’s business model. In the last process phase, prototypes are created, and two or three ideas are put through an incubation process that matures them for the market. Thus, the accelerator ensures an optimal match between idea and application in the company concerned.

Strategy
The ideas must be related to the company’s strategy, and the strategy component contains methods to ensure this happens. It contains a “radar”, a set of tools that systematically ensures the company has its finger on the pulse of current trends and technologies. It also contains methods for defining TO-BE capabilities that set the course and show the fit-gap relative to the present situation. This capability target picture covers both the internal perspective, which focuses on how effective production and development are, and on the external perspective, which focuses on customers. When it comes to the external perspective, companies should specifically prepare a “Business Model Canvas”, a method for developing new business models – or documenting existing ones. The Business Model Canvas also ensures that companies maintain an outside and an inside perspective, that is, view the solution from an external perspective, for example, that of customers. The strategy component validates that the ideas are related to the company’s overarching strategy, thus establishing their connection with any basic values that might guide the selection of innovative initiatives.

Toolbox
When large companies want to create innovation, they often use three well-tested methods:
- Design thinking
- Lean start-up
- Agile development and organisation

Although these methods have characteristics in common, it is important to realise that they each have their respective strengths as part of the innovation process. The strength of design thinking lies in its introductory definitions, which focus on the overall context and not just the product/service in itself. The focus is on a broader and deeper understanding of what the customer is really trying to achieve. Lean start-up has its strength in identifying which business models are sustainable. The focus of lean start-up is to identify which products/services/ideas can form the basis for building business models. The strength of agile development and organisation lies in how they serve to realise a (software) solution. This entails using interdisciplinary teams with the right mix of competencies as well as involving the business side of the enterprise, which enables priorities to be set and decisions made rapidly. The focus is on producing early, concrete results so that the company can learn from its experience and adjust its course accordingly.

Culture and organisation
Arguably the most important part of the innovation strategy wheel is the cultural component. Without the right culture, success in the other three parts of the wheel is impossible. Creating the right culture absolutely starts with top management, which must personally take the lead, visibly and clearly projecting a desire for an innovation culture. A cornerstone here is the “fail-friendly” principle. This means motivating employees to experiment and test – and a company truly aiming for new knowledge must be prepared to test to an extent that makes the occasional failure inevitable. Another important aspect of the culture is the delegation of responsibility. The people with the knowledge needed to make decisions should be the ones authorised to make them.

Regardless of whether a company pursues sustainable or disruptive innovation, an innovation strategy wheel will be a great help and a big step in the right direction.

ACTION ITEMS

☑️ Consider if the company is pursuing incremental or revolutionary innovation - or both.

☑️ Choose the method from the toolbox that best fit the current situation of the company

☑️ Prioritize being a front-runner and communicate it clearly from top management. This is important as a change of culture is often necessary.