

The Black Magic of Formulating Winning Breakthrough Innovation

By Leo O'Connor, Vice President and Growth Strategy Consultant, Technical Insights, Frost & Sullivan

Introduction

Frost & Sullivan recently invited select companies to participate in a new and unique thought leadership forum – the Virtual Think Tank. The executives that contributed their opinions and insights hailed from a wide variety of name-brand companies:

- **Eric Bryn**
Vice President of Digital Innovation
Baird and Warner Real Estate
- **Dany DeGrave**
Director of Strategic Alignment
and Expertise
Sanofi Pasteur
- **Don DeLauder**
Senior Director, Corporate Innovation
Bayer Radiology and Interventional
- **David Matheson**
President and CEO
SmartOrg
- **Jim Stikeleather**
Executive Strategist and
Chief Innovation Officer
Dell
- **Matthew Wasserman**
Director Global Product
and Portfolio Stewardship
Church and Dwight

Keeping Innovation on Track: Leading Executives Discuss What to Do and What Not to Do

Innovators have great visions but they are frequently hindered by the pressure to quickly produce desirable results. The product of that, incrementalism, not only overwhelms visionary projects, but it also curtails opportunities to achieve optimal growth. Similarly, innovators with actionable insights sometimes charge off to pursue projects without thinking through how it can make the business really thrive.

To flesh out the root causes of these challenges and uncover actionable solutions, Frost & Sullivan invited executives to participate in a Virtual Think Tank session. On a daily basis, these executives manage innovation portfolios and engage in strategic planning activities with the goal of driving new product development and business growth.

This interactive, virtual session provided a platform for discussing a number of issues that are top-of-mind for innovation and new product development executives, as well as uncovering insights useful across the spectrum of markets that are engaged in innovation activities. Among the issues discussed were the following:

- Keeping an innovation project on track
- How to take an actionable insight and formulate a winning project that can deliver on a vision
- How to re-formulate the project as you face new information and as you need to adjust

The Little Things That Get Us Off Track

“There are probably a thousand different ways innovation gets off track, and it happens more often than not,” said Don DeLauder, Senior Director, Corporate Innovation at Bayer Radiology and Interventional. In some cases, innovation goes off track because it starts off track, he said. The problem stems from generating an idea that appears plausible from the point of view of business growth, but might not be connected with an entity’s existing business in a clear way.

“You try to define these things and it is very difficult,” he said, “but one of the definitions I like and that I heard some time ago is that innovation is invention with a business purpose.”

Dany DeGrave, Director of Strategic Alignment and Expertise at Sanofi Pasteur, agreed. “This is not just about the idea,” he said, “but getting to a result and having business value.”

While it’s important to keep an eye on business value, participants opined that it is just as important to not force traditional commercial metrics on innovation, particularly in the early stages of an idea’s gestation. “One thing I have seen in the past is that a team that is working on innovation can lose sight of the strategic reasons or goals that got them started,” said Matthew Wasserman, Director Global Product and Portfolio Stewardship at Church and Dwight.

Mr. Wasserman pointed out that he has seen teams become caught up in the tangible aspects of a project, meaning they become too intensely focused on the goal of commercialization. They tend to forget about the strategic benefits of the project identified at the start of the idea development process.

“One of the things that you see if you have done innovation well is that you end up creating a platform or springboard for a whole series of additional projects,” Mr. Wasserman said. “All the work and all that time in a kind of nebulous space ultimately results in being able to identify hopefully a large number of very specific projects that can springboard from there. It should not be a one-of-a-kind thing. If you innovate well you should not get one commercialized project out of it, but a number of things should emerge. One of the things that we have done is to clearly delineate between innovation and commercialization.”



The Innovation Fireside Chat

Mr. Stikeleather, reinforcing Mr. Wasserman’s view, emphasized the importance of telling a story about why a project, product, or technology is important. “One of the things that we ask is that you be able to tell a story, rather than focus on the business plans and the spreadsheets. You literally sit down and tell a story in five to ten minutes that describes the value and the project environment, and that is really the starting point,” Mr. Stikeleather said.

David Matheson, CEO of SmartOrg, illustrated this point in a practical way. Mr. Matheson was working with a company that was trying to produce a new type of television, a rear projection television, about ten years ago before LCDs had taken over. The company had an amazing technology and they had developed their project, but they advanced to a point where it didn’t work. “But it didn’t work in an interesting way,” Mr. Matheson said, “and I remember that I was talking with the project leader and he was going to present to the boss, and he was trying to figure out how to cover up the failure so that the team could keep going.” Mr. Matheson and the project leader had a good discussion about the reality that the boss already knew that this project was in trouble, and he was uncomfortable about how to present a path forward for his team to someone who already knew of this reality.

Mr. Matheson recommended to the leader that in the first thirty seconds he should tell his boss that the project had failed and that he knew that the leader already was aware of this. He advised that from there, the project leader should explain that they had learned a lot and wanted to proceed to Plan B, and that he would like to talk about Plan B. The project leader was quite afraid of

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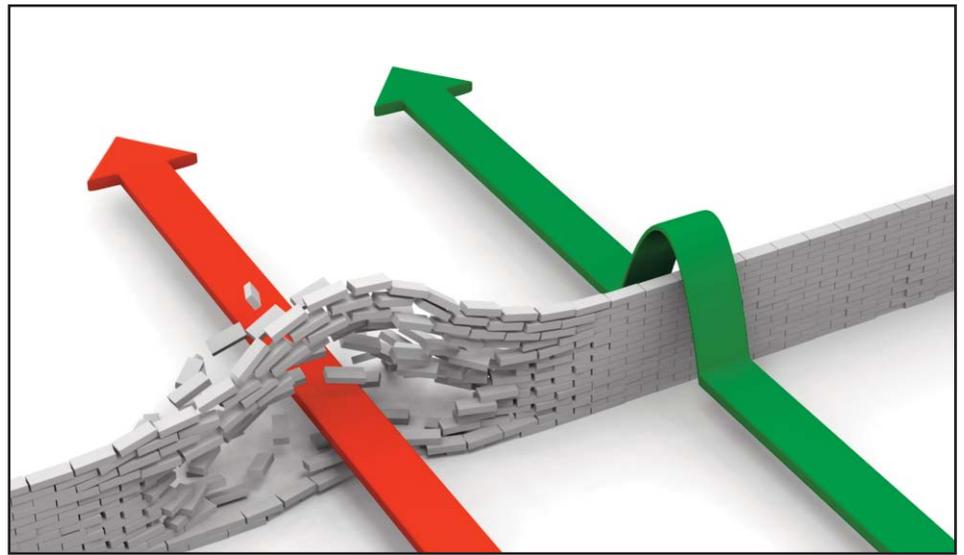
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Senior Director, Corporate Innovation
Bayer Radiology and Interventional

implementing this plan, as he felt that it was different from the cultural dimensions with which the company normally operated. "But that is actually what he did," Mr. Matheson said, "and the moment he said that it didn't work the way they hoped, the project leader and his boss started having a real collaborative discussion about the future that they wanted to create together and how Plan B would advance the firm, rather than argue over the attribution of success or failure."

of innovation projects. "An innovation project is a fail, learn, fail, learn type of activity," Mr. Stikeleather said. "People can get so focused on conducting an innovative project, and on the idea of producing an innovative product or service, and sometimes they do not realize that what they are learning is that they have the opportunity to develop a new business process, a new business model, or maybe a whole new value proposition discovered in a sequence. I would argue that if your innovation activities are constantly spot on then



The person quickly approved Plan B and they went on to launch an award-winning television that at the time rocked the industry.

"What trips up people are those little things," Mr. Matheson said. "The little things that accumulate with the pressures for success or to satisfy a customer or to deliver on a metric, or whatever else, get in the way of telling a story or keeping that story in front of you."

Project Tracking: How You Know It's On or Off Track

Project failure may be a more prevalent part of innovation than many people want to acknowledge. How you deal with and what you learn from that failure can become an important characteristic

you are not trying hard enough."

Looking carefully at process signs and project characteristics can reveal whether a project is on or off track. "It strikes me that if you see dominance of the product management function, there's a lot of discussion over milestones and strict accountability to deliver exactly what you said you would deliver," Mr. Matheson said. "If you see a disconnect between the story that is being told about the vision and the possibilities for the actual work being done, that would be a sign that the project is off track. Or, on the flipside, if you see somebody who is just sort of dreaming and living in idea land, and not really doing any activity that tangibly moves the ball forward, that would be another sign."

The participants agreed that you have to see either failure or success on the next step in a project, and what you don't want to see is just activity. You really want learning to take place and that learning experience can come from success or failure.

Keeping a project on track is multifaceted and requires looking outside of the project to how it affects and is affected by the organization launching the project. "It's about getting your stakeholders aligned, getting the essential pieces in place, getting executive buy in, making sure that you have alignment across different divisions, and then moving it along," said Eric Bryn, Vice President of Digital Innovation at Baird and Warner Real Estate.

Another way to look at a project being off track is to view it in more positive terms as "it isn't doing what we wanted it to do" and then effectively communicating that back to the executive team. The explanation can consist of describing what the team learned from the project and what can be done with that learning going forward or taking it on board as just something interesting to have learned.

Formulating and Steering a Good Project

Getting and keeping a project on track is partly a function of creating an effective project formula to begin with. The panel addressed the question of how to formulate projects effectively. "I will reiterate something that I said earlier," said Mr. DeLauder. "It's an innovation and not an idea if we can connect it to the business, and so formulating it well means describing how the business benefits and defining the proposition, or what it is that the business can take advantage of."

A general consensus emerged that just as important as defining and describing the story underpinning an innovative project is the presence of multiple viewpoints and theories creating an intellectual diversity that guides the project along a course. "This points to the importance of having a diverse group having different viewpoints in a project," Mr. DeGrave said.

A multiplicity of hypotheses can be beneficial. The project world wants you to have one hypothesis and commit to it and that is probably good to execute, but it's also important to have other vital directions and ways of commercialization as part of a conversation and understand that they are vital in that conversation at all times, said Mr. Matheson.

Thinking of project hypotheses as variables can be

useful. "It could be X, it could be Y, or it could be Z," said Mr. Matheson. "We think it is X right now, but we have all these other theories that are present even though they are not primary and that gives you the intellectual diversity."

Too frequently the focus is on the output of a project than on the learning that can be obtained.

"You can look at the outcome, but the road to get there might change," Mr. DeGrave said. He pointed out the importance of keeping in mind that, as the project progresses, selecting alternate options might be needed. "This is not the usual one option, stage gate approach," he said.

Project Tools That Help You Achieve Your Vision

The panel opined that after an effective system of searching for ideas and innovations, human collaboration and interaction may be the most important tool to have. Additionally, the conflict between wanting a project to be commercially successful, and accordingly adhere to commercial metrics, and the need to keep multiple options on the table and measure their strategic value plays itself out in the landscape of project tools available to make a project successful. There was a solid consensus among panel members that using an estimate of net present value was too constricting, but the metric becomes extremely useful when it is used as part of a stochastic model (as opposed to a deterministic) model, where randomness is present and variable states are not described by unique values, but by probability distributions.

According to Mr. Matheson, "This whole idea of net present value calculations being destructive is on the one hand completely true. The way our businesses have evolved is to use economic modeling as an instrument of punishment and justification. But I think we've really lost something in that because the ability to test a hypothesis by trying out a model and simulating it in a spreadsheet or mathematically somehow, and calculate how it might work out in terms of net present value, or other financial metrics has been lost. There are a host of good tools available that use modeling for driving those thought experiments having to do with treatment of uncertainty and the analysis of different alternatives, and to be able to rapidly iterate in a simulated space to help track and steer the innovation."