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# Innovation Is a Process: 7 Ways to Unleash It in a Big Company

Traditional wisdom says that big companies – complex and encumbered by shareholders, legacy IT systems, and outdated processes - are slow moving and not very innovative. Meanwhile, start ups and smaller competitors are nimble and able to outpace their sluggish rivals. That version of reality is, in many ways, borne out by recent corporate history with examples such as Blockbuster losing out to Netflix, or Apple's iPhone swallowing up any demand for RIM's Blackberries.

Indeed, most large companies follow the basic laws of physics when it comes to innovation: the more mass an object has the greater its momentum. In other words, the bigger you are, the harder it is to stop going the direction you're already headed.

However, the truth is that big companies have a number of advantages when it comes to innovation. The most obvious one is the resources at their disposal. Big companies have more cash, human capital and customers than start up and smaller competitors. It is, thus, comparatively easier to fund and launch new products and businesses. So why do we have the perception that big companies are no good at innovation?

There are many answers to that question which includes appetite for risk, sources of funding (VC or privately funded ventures are more likely to have a greater ability to take risks than those with shareholders and quarterly earnings pressures), the types of staff the company attracts (those with an entrepreneurial spirit may be more likely to want to work in a small start up than a large global corporation with multiple layers of bureaucracy), and the fact that it's much more difficult to make a ripple in a big pond than a large one.

So how can a big company find its innovation mojo? Fortunately, there are some proven ingredients that can help a company of any size start to improve its pipeline of new ideas and make sure that it's not about to go the way of the "Ubersaurs". Here are seven ideas on how to unleash an innovation process in your organization:



## **#1 : Get the Metrics Right....**

Businesses have long used key performance indicator (KPIs) and other metrics to keep an eye on how different parts of the business are performing. This enables employees to anticipate problems and make decisions based on what's happening. In this way, metrics drive the way that people behave within an organization. That's why getting the right metrics in place is critical to the success of innovation within a large company. Focus on the wrong metrics – or don't interpret conventional metrics with innovation in mind – and you'll find yourself never deviating from business as usual.

For instance, innovation can be harmful to short term revenues. Adobe Systems used to make a huge amount of revenue selling software licenses to its creative suite of products: Illustrator, InDesign and Photoshop. In 2011, the company's CEO decided to switch a "software as a service" model where customers pay a monthly licensing fee to access the "creative cloud". Instead of \$1900 for an upfront licensing fee, the company would make \$50 a month for customers to access continually upgraded versions of the software. In the short term, that meant revenues were down but the change opened up a whole new cohort of customers and over time will mean a steady flow of cash.

Had the company focused solely on short term financial metrics they never would have made a successful transition to a new business model that opens up new customers and (potentially) future proofs the company for the long term.

## **#2 : ...But Don't Try to Measure Everything**

There is a danger - more likely in large companies where processes and KPIs are well defined – that companies try to measure everything. In doing so, this can kill off some of the passion and creative inspiration that leads to some of the best innovations. And clearly, if a focus on metrics means that it's very difficult to get any idea off the ground because it never gets past the number crunchers, new ideas are never going to get tested in live situations.

As innovation expert Scott Kirsner writes in the Harvard Business Review: "While the corporate impulse for dashboards and scorecards can't be eliminated entirely — nor should it — there may be an inverse correlation between the intensity of a company's obsession with measuring innovation and the breakthroughs it generates."



## #3 : Encourage Risk Taking

For every amazing new idea, there are inevitably dozens of other mediocre ones or outright failures. The trouble is that nobody likes to be associated with a failure and in some companies being on a failing project – even if it was to launch something new and untested – can be a career killer. As a result, many organizations – especially large ones where there is a perceived risk to career advancement or annual performance bonuses – unwittingly encourage “safe” behaviour, which tends to be sticking with the status quo rather than going out on a limb for a new idea.

There are a couple of ways that companies can overcome this. Some have tried to reward well intentioned failure – i.e. not failure that’s the result of laziness, incompetence, wrong doing or underachievement - that results in important lessons for the company. For instance, Tata has a “Dare to Try” award that “recognises and rewards courageous and determined attempts at creating global first technologies, products and services that did not achieve the desired results but have potential for success”.

Another way of encouraging employees to take risks is thinking about implementing and testing new ideas as experiments. The Lean Start Up Methodology, a method developed by tech entrepreneur and author Eric Ries, aims to foster this culture of experimentation. The approach, which incorporates adaptations of common Lean principles (such as continuous learning and the 5 Whys), centers around the idea of getting a “minimum viable product” into the market quickly and testing whether it stands up to customer scrutiny.

Indeed, core to the method is the idea that “every startup is a grand experiment that attempts to answer a question. [...] This experiment is more than just theoretical inquiry; it is a first product. If it is successful, it allows a manager to get started with his or her campaign: enlisting early adopters, adding employees to each further experiment or iteration, and eventually starting to build a product.”

While Eric Ries developed his idea for entrepreneurs, clearly the lessons and methodology can be applied to “start ups” within large companies. “Failure, and how companies deal with failure, is a very big part of innovation,” Judy Estrin, author of a book on innovation told the Wall Street Journal. “If employees try something that was worth trying and fail, and if they are open about it, and if they learn from that failure that is a good thing.”

## #4: Give People Time

It's stating the obvious, but if employees are too busy running today's business, it's very hard for them to find time to come up with new ideas for what it will take tomorrow's business to succeed. Its one thing for a business to say that it wants to be more innovative and another for it to create the breathing space necessary for employees to work on new ideas that may never contribute to the bottom line.

Google, for instance, is well known for allowing its engineers to spend 20% of their time on projects that interest them. While giving employees one day a week to work on whatever they want to may sound like a scary proposition, it helped Google create Google News, Gmail and AdSense.

Another way of giving people time is creating friendly, informal spaces for people to have a chat with colleagues. While not as official as sanctioning a specific amount of time for people to work on something new, sometimes a funny conversation over lunch or during a break can spark an idea that goes onto become a future business.

## #5: Don't Be Perfect

The days of spending years analyzing and developing a product or service before launching it are long gone. A new competitor will have popped up and stolen your market share faster than you can say "SnapChat". Not only do markets today move faster than this, but it is also very risky to attempt to dream up new products and services in an ivory tower. It is rare for any new product or service to survive first contact with the customer without the need for some form of iteration. It's better to find this out weeks or months into the development process rather than years. As Mike Tyson once said, "everyone has a *plan* 'till they get punched in the mouth."

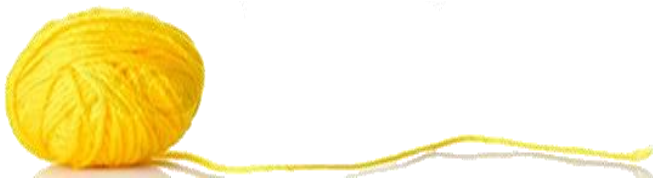
## #6: Look Outside Your Industry

Just a few years ago, who would ever have thought that the taxi industry would be under threat from a digital upstart? Apps and the “gig” economy are overthrowing even the most established and traditional industries and robots are not far behind. No industry can be considered safe from these forces of disruption.

If a business is only watching what its competitors are doing, it can easily be blindsided by unexpected new sources of competition. And, of course, the point of innovation is not to just keep up with the Joneses but to come up with a new way of doing something or a new product that leads the pack. So where can you get these new ideas? By looking outside your own industry to see whether there are new ideas cropping up elsewhere that can be applied to you.

“Bringing in ideas from analogous fields turns out to be a potential source of radical innovation,” write authors Marion Poetz, Nikolaus Franke, and Martin Schreier in the Harvard Business Review. “When you’re working on a problem and you pool insights from analogous areas, you’re likely to get significantly greater novelty in the proposed solutions, for two reasons: People versed in analogous fields can draw on different pools of knowledge, and they’re not mentally constrained by existing, ‘known’ solutions to the problem in the target field. The greater the distance between the problem and the analogous field, the greater the novelty of the solutions.”





## #7 : Foster Cross-Departmental Collaboration

Similar to looking outside your industry, bringing people with diverse backgrounds and experience from within your organization can equally produce surprising results. Why not get marketing, sales, operations, customer service, and engineering together in a room to come up with a new way of delivering your product to customers? Or task them with suggesting a radically new business model?

This approach has the obvious advantage of sharing internal expertise and being relatively easy to facilitate. It also means that as new ideas are developed, they should have an easier time being implemented within the constraints of the company's operations and customer base. The draw back, of course, is that the participants will be limited by their own experiences and may dismiss some new ideas as unworkable because they don't see how they could make it happen within the constraints of their company.

Clearly, there's no easy answer for what it takes to transform a multi-billion dollar behemoth into a lithe and agile innovator. And, in the short term sometimes innovation can actually hit revenues. But, with the alternative being complete annihilation, it's better that a company take on some short term risk to ensure long term survival. Because there's only one thing that's certain in today's economy, disruption is coming soon to a desk near you.

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