Developing and Managing a Successful
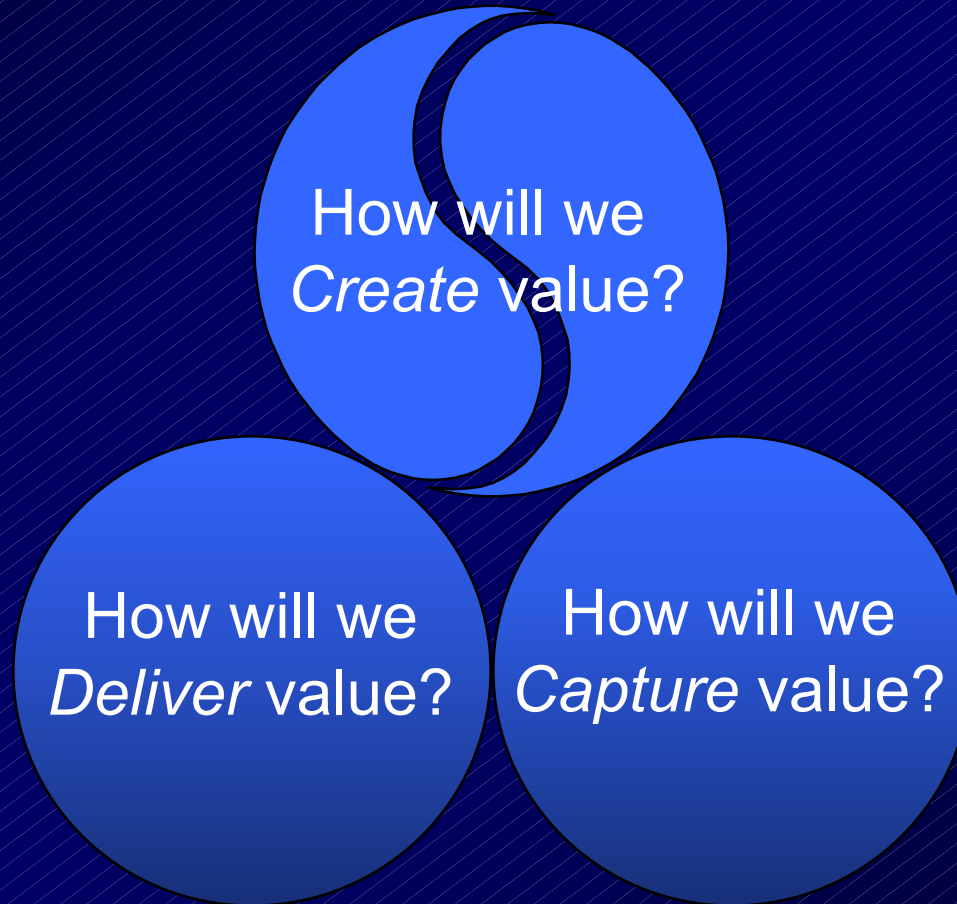# Innovation Strategy

Effective Innovation Strategies Answer Three Key Questions:
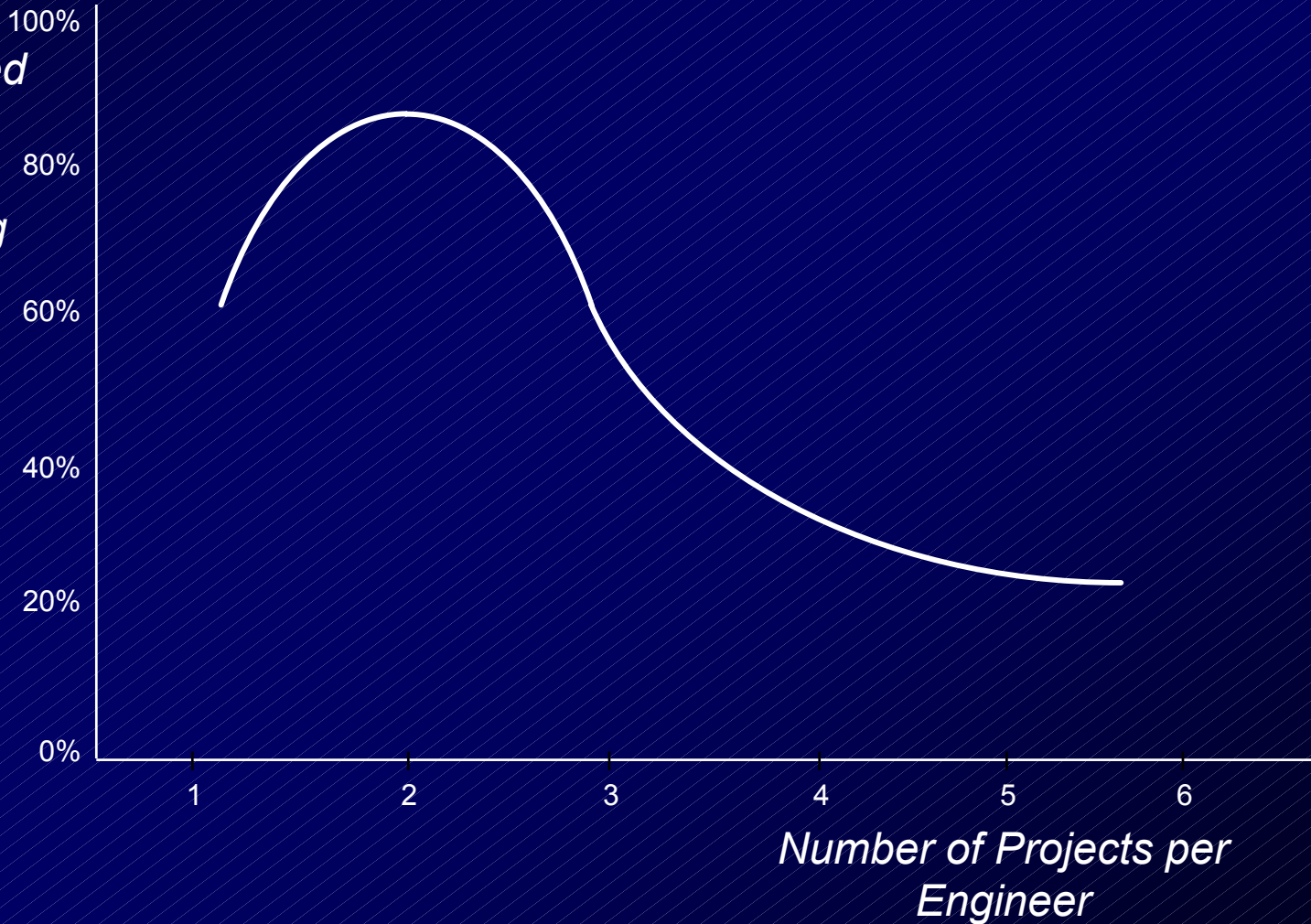
How will we *Create* value?

How will we *Deliver* value?

How will we *Capture* value?

Reasons to have an innovation strategy:

1. To make choices

Overcommitment destroys productivity

Average

Value-Added

Time on

Engineering

Tasks

100%

80%

60%

40%

20%

0%

1   2   3   4   5   6

Number of Projects per Engineer

Reasons to have an innovation strategy:

2. To be able to change it

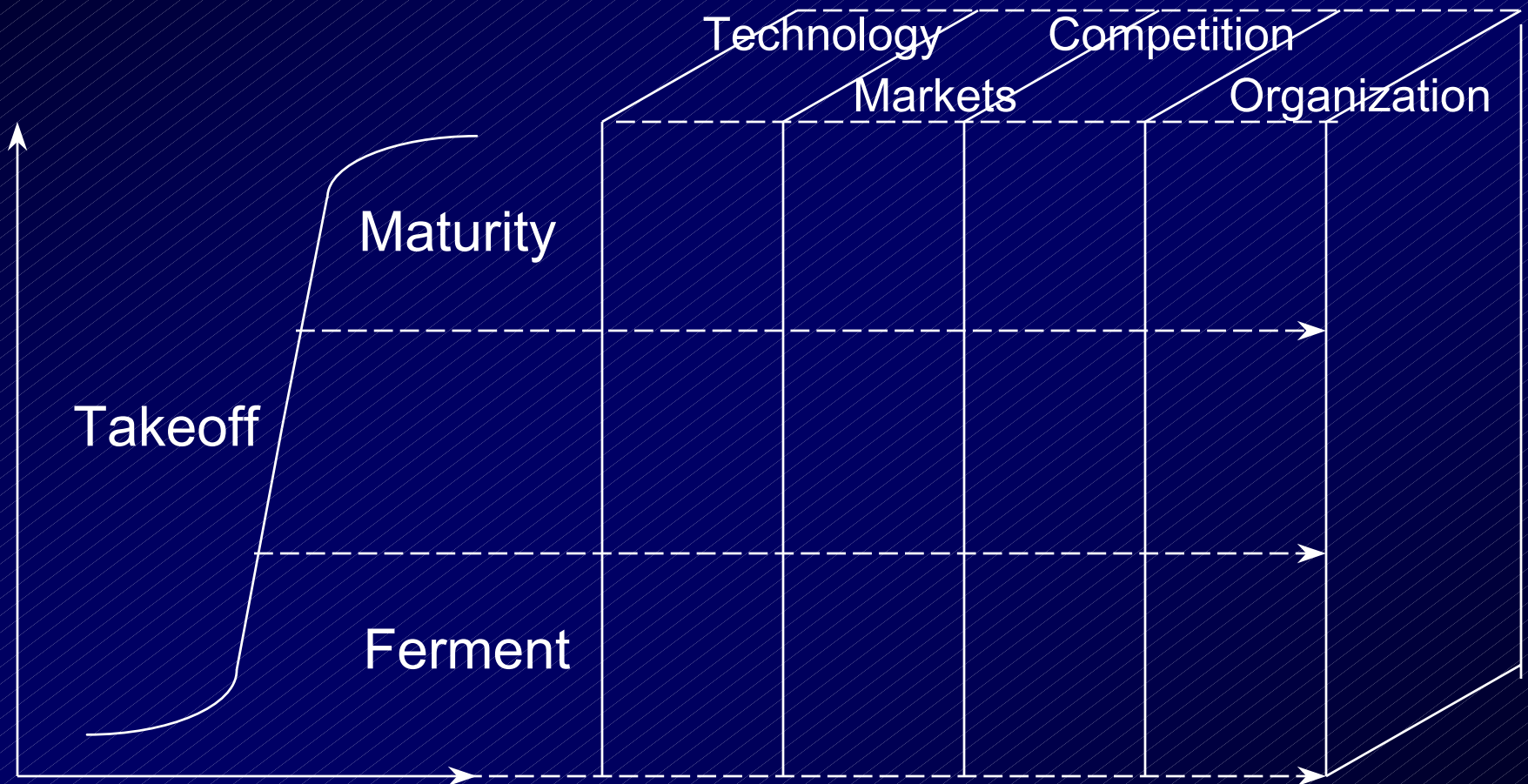# The S-curve Maps Major Transitions
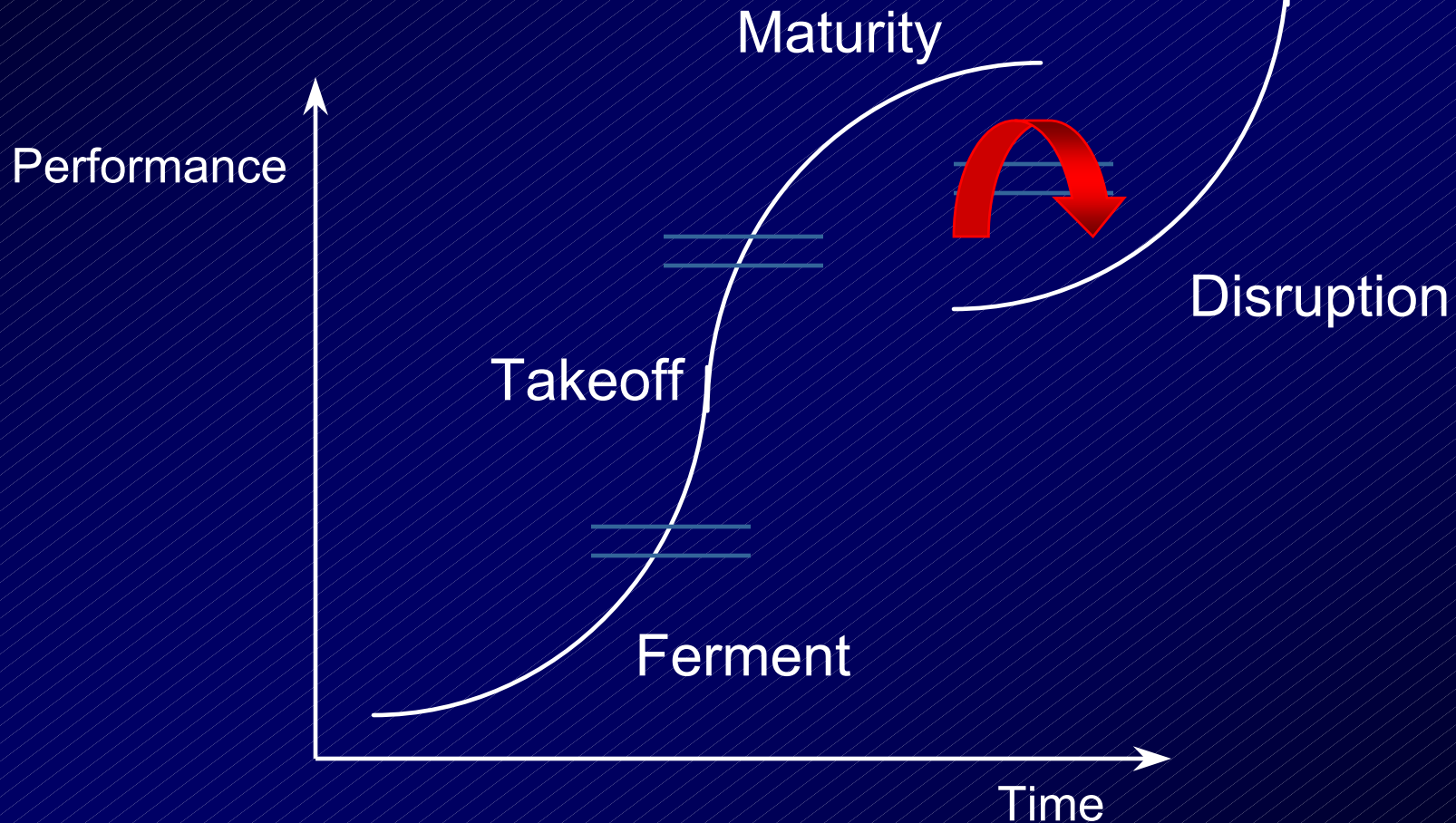
Transitions often challenge existing organizations severely

Transitions are hard!

- Answers to the key strategic questions:
  - How do we create value?
  - How do we capture value?
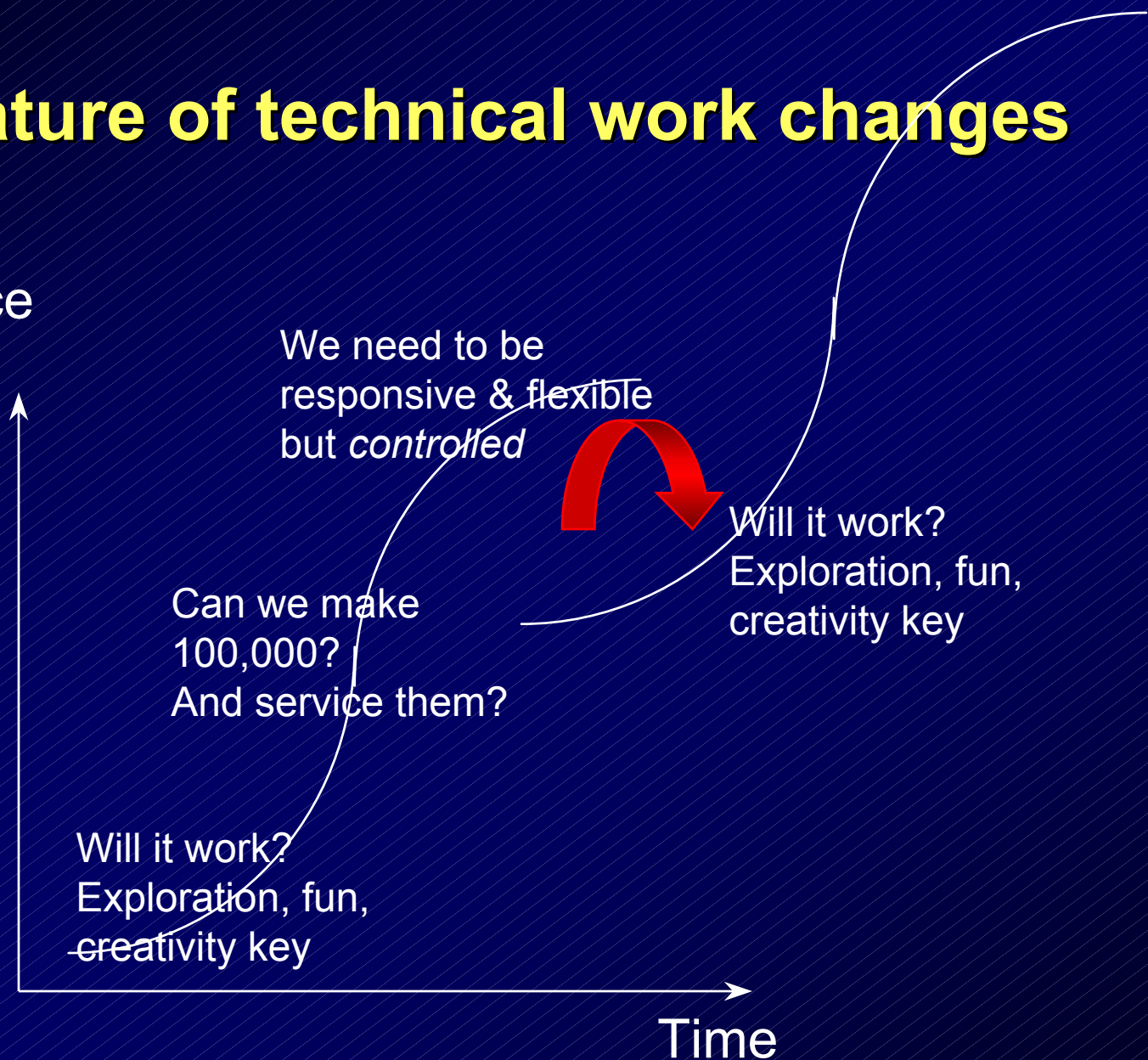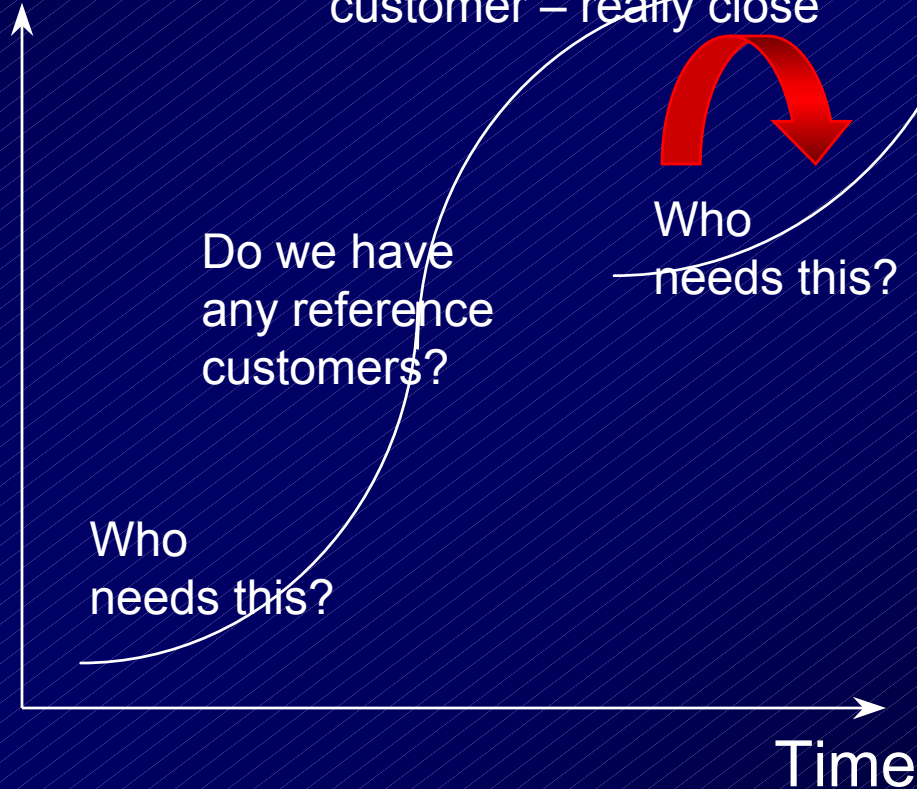 - How do we deliver value?

- CHANGE!

A map of the course….

Technology   Competition

Markets   Organization

Maturity

Takeoff

Ferment

Value Creation

The nature of technical work changes

Performance

We need to be
responsive & flexible
but *controlled*

Will it work?
Exploration, fun,
creativity key

Can we make
100,000?
And service them?

Will it work?
Exploration, fun,
creativity key

Time

The marketing challenge evolves

Performance

Stay close to your customer – really close

Do we have any reference customers?

Who needs this?

Who needs this?

Time
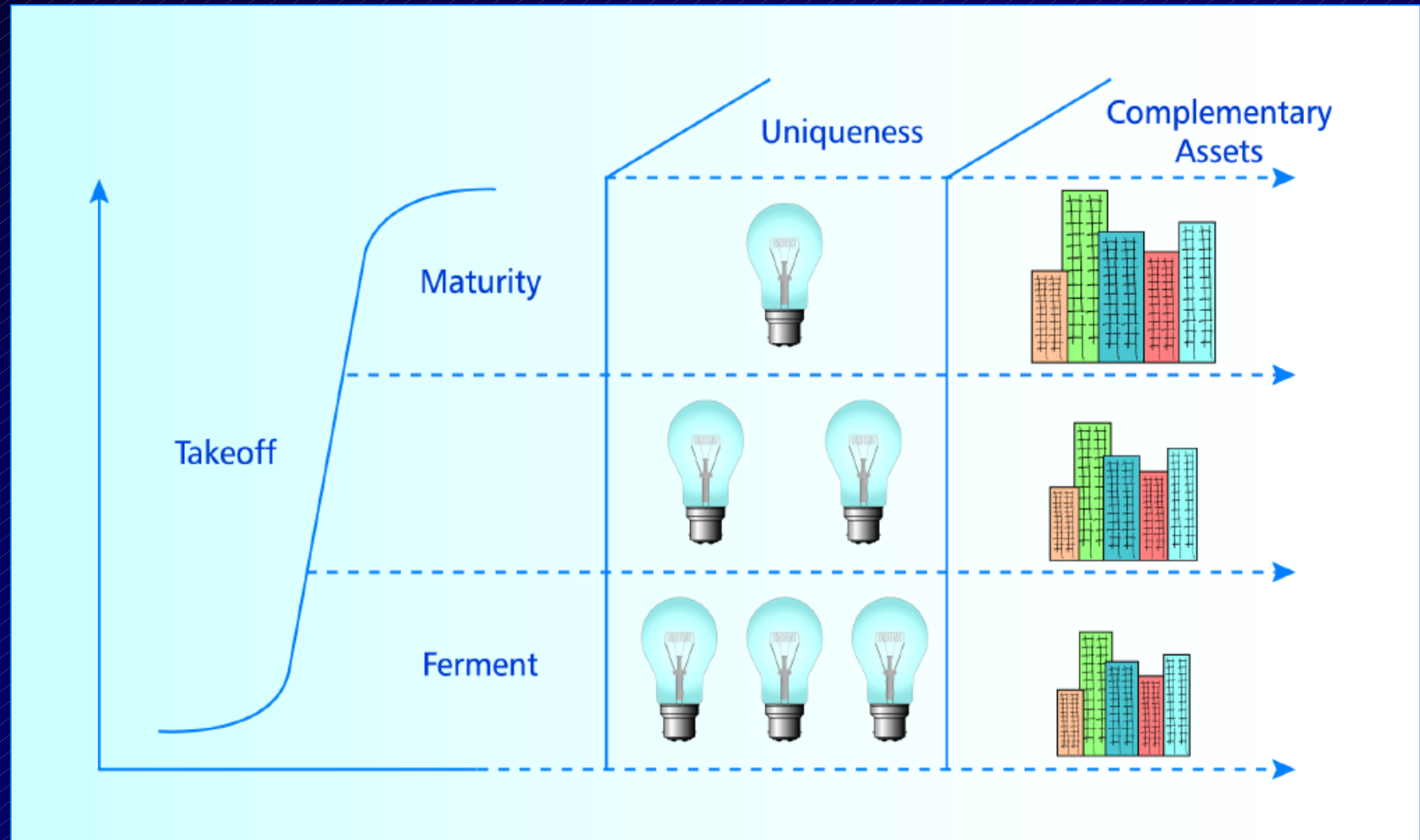
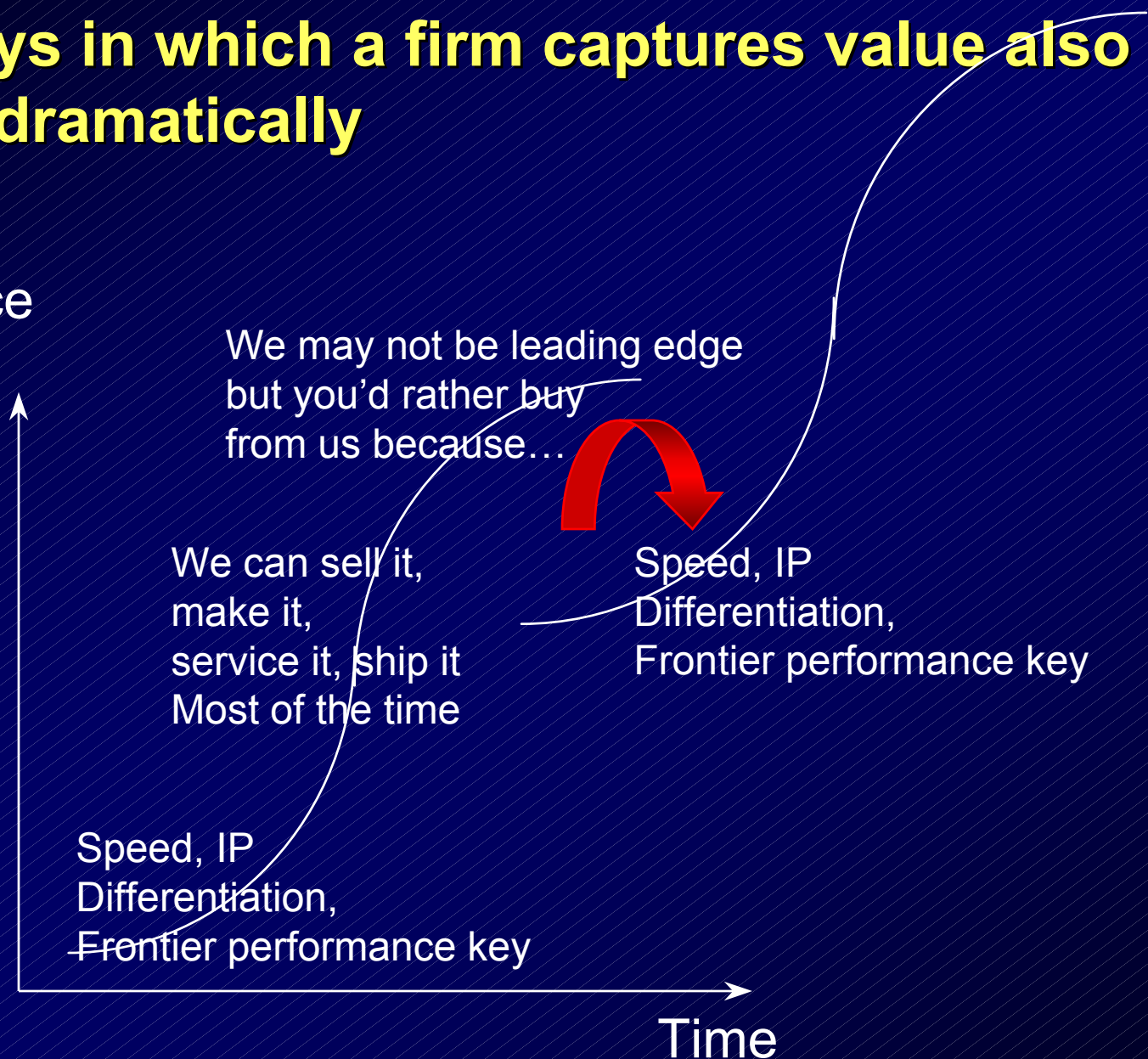**Some new technologies sell to niche markets with less demanding requirements**

Value Capture

Uniqueness & Complementary Assets over the Life Cycle:

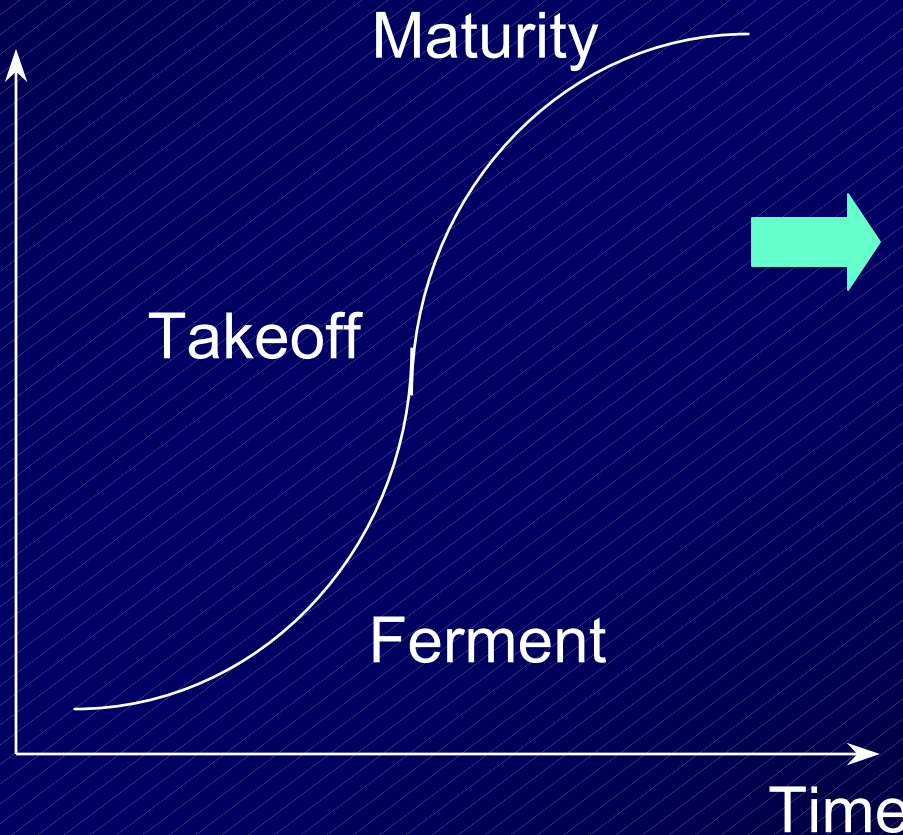# The ways in which a firm captures value also evolve dramatically

Performance

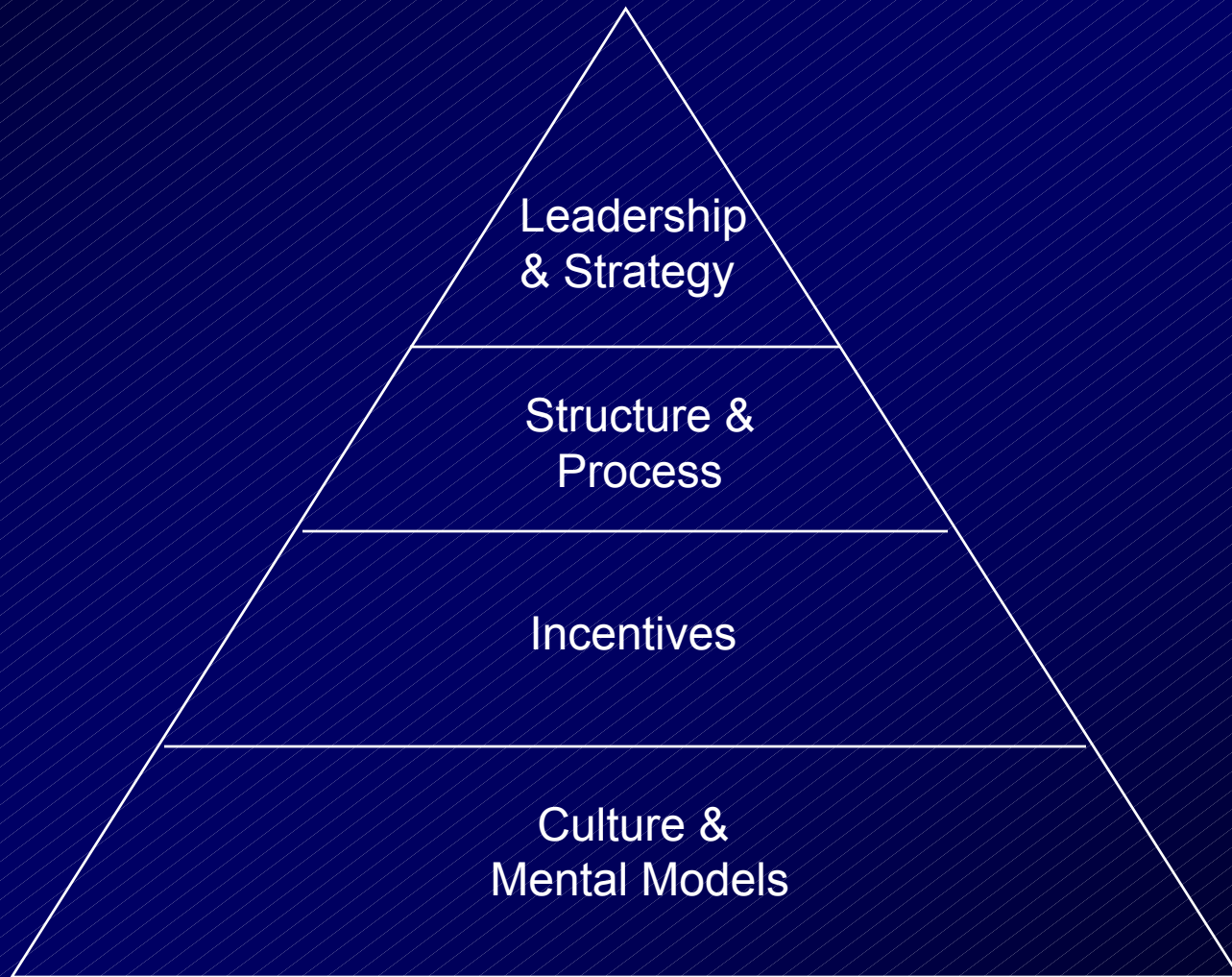We may not be leading edge
but you'd rather buy
from us because…

We can sell it,
make it,
service it, ship it
Most of the time

Speed, IP
Differentiation,
Frontier performance key

Speed, IP
Differentiation,
Frontier performance key

Time

Value Delivery

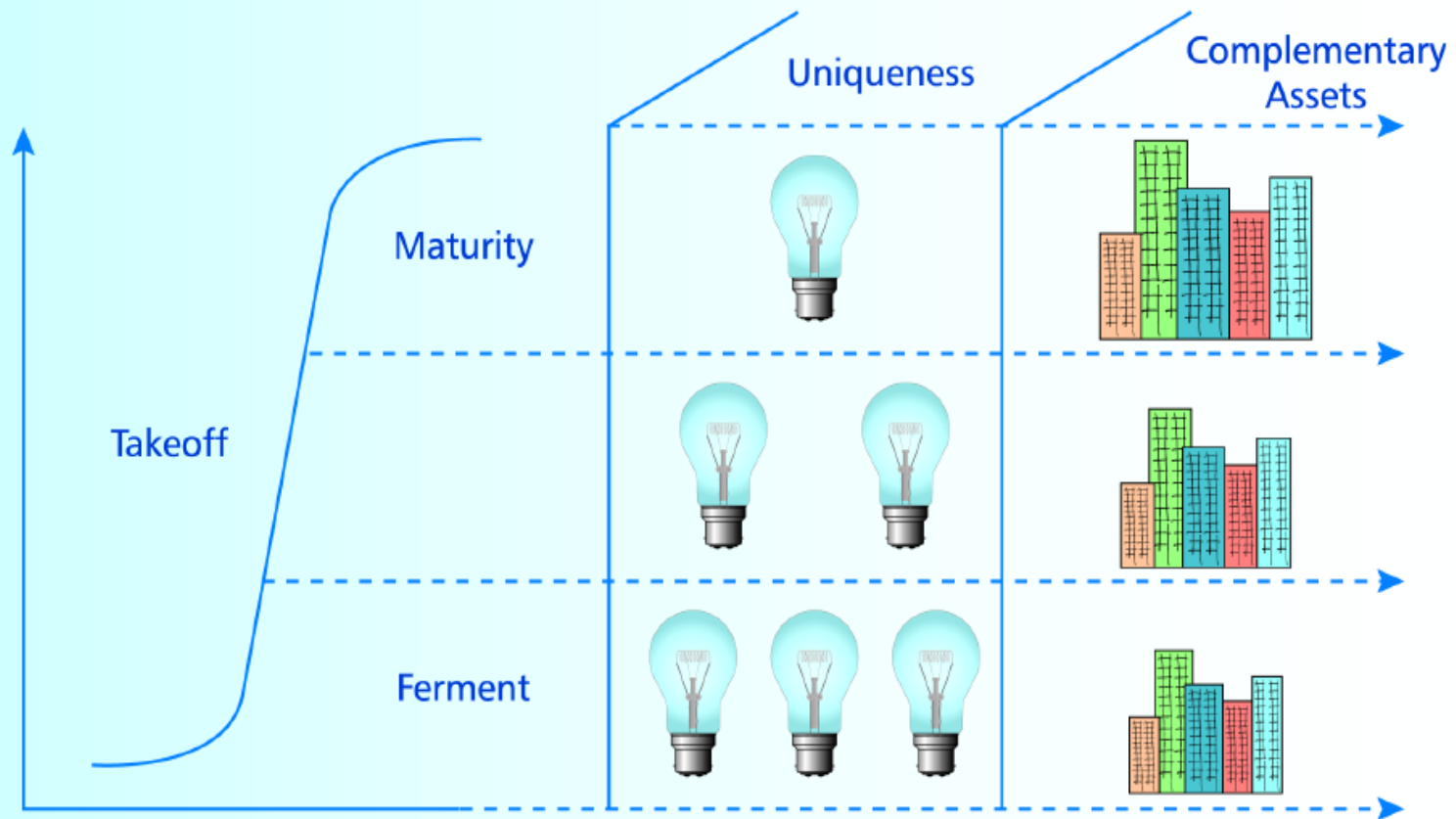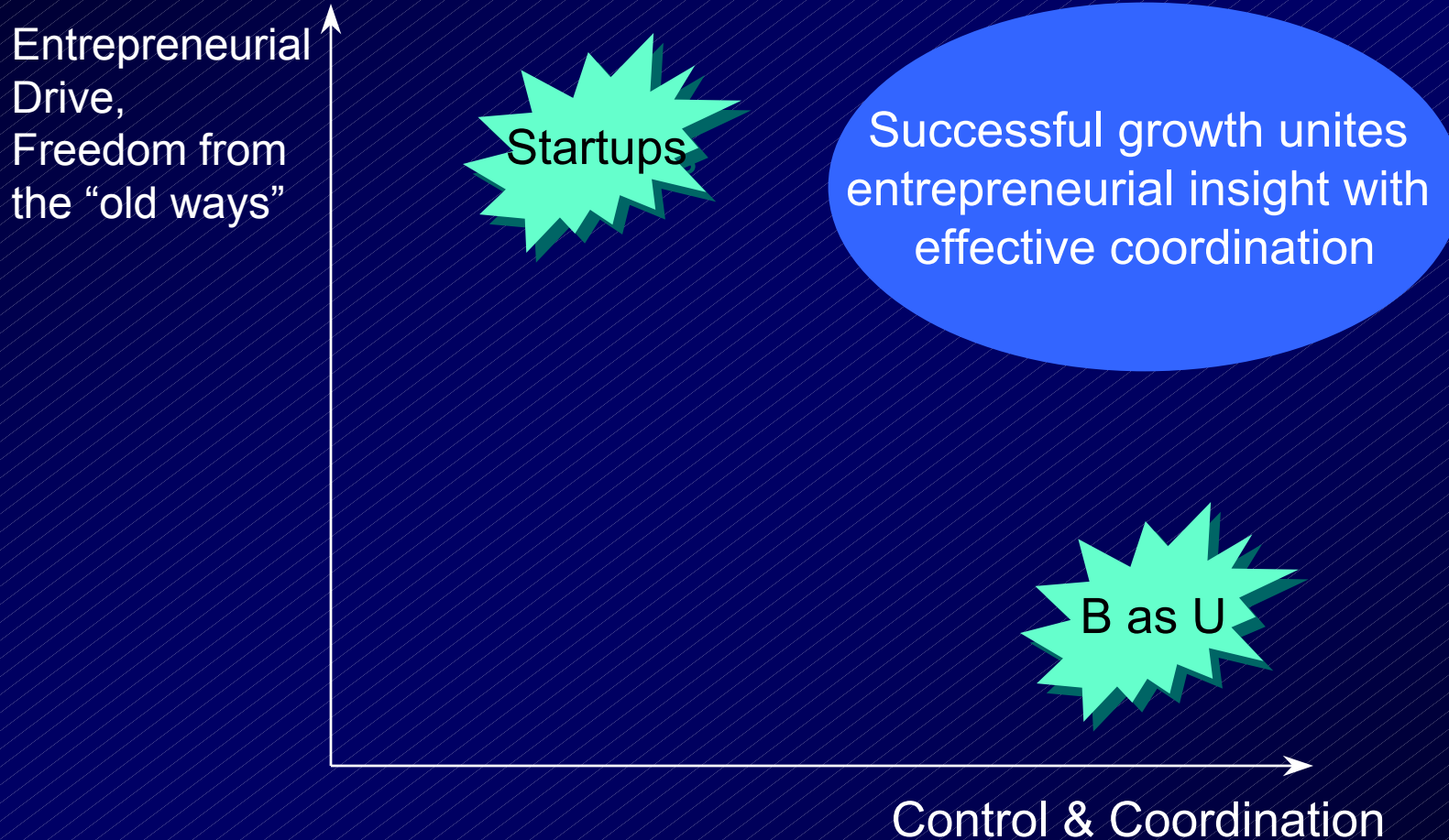# Competencies evolve over time, creating "competency traps"

Change challenges every aspect of an organization

But strategically, growth must build on existing assets…

The Organizational Challenge:

Entrepreneurial
Drive,
Freedom from
the "old ways"

Startups

Successful growth unites entrepreneurial insight with effective coordination

B as U

Control & Coordination

What can be done?

Problems in Recognition (problems in strategy?)

- Growth opportunities do not arrive with labels on them
- Forecasting the future of technology is hard
- Forecasting customer needs and market demands is even harder
- Growth opportunities often look less profitable than the current business
- Deep rooted mental models may make even "easy" recognition difficult

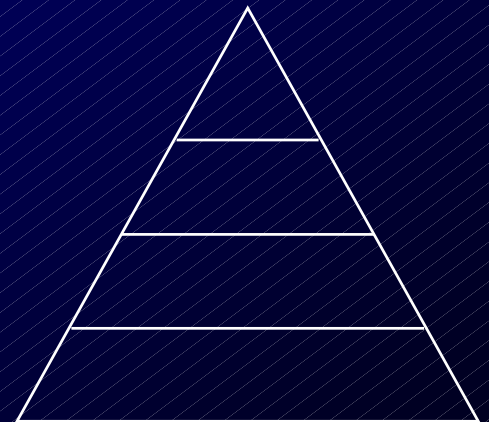# Some discontinuities will pose harder problems than others:

Problems in Response (problems in organization?)

- Fear of Cannibalization
- Time horizons & Incentives
- Overload
- Competency Traps

What can be done?

- Lead
- Structure
- Incent
- Transform the culture & mental models

Where we go next:

- Dealing with discontinuities:
    - Synthes
    - Allied Chemical
    - Donnelley
    - Xerox Technology Ventures
    - Corporate ventures @ Procter & Gamble
    - Ciba Geigy/Alza

- The mechanics of doing strategy
    - Medtronics
    - Kirkham Instruments

- Pulling it all together
    - Kodak
    - Nokia