

Ready, Fire! Aim?

Why a Fear of Commitment is Killing Innovation.

October 2008

Turn innovation into action
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Executive Summary

Why is innovation so hard to do?

- Organizations' innovation efforts aren't making the grade. Despite much buzz in the marketplace, success from innovation remains elusive for many organizations. According to results from this year's Innovation Tracker, overall innovation scores averaged only 8.34 out of a possible 20, the equivalent of 42%—or by educational standards, an "F." It's clear that most organizations still do not know how to consistently make innovation a part of what they do and how they operate, and their employees don't feel organizations are putting the right things in place to make it a sustainable initiative that drives long-term success.
- What's going on? The question is—what holds companies back from building an effective innovation program? To help answer this question, we conducted an online survey on our Website. Innovation practitioners—from a variety of organizations and industries—take this survey to identify their innovation programs' strengths and weaknesses.
- Every year, we publish the results of this survey, and analyze historical trends to help organizations decide how to make innovation part of their DNA.
- This white paper focuses on the results from May 2007 to July 2008 – which includes data from 581 respondents from around the world. In addition, we compare these results to the previous year (2006-2007) in order to highlight areas of progress (or in some cases, regression).

The results that follow provide an array of insights on how companies' innovation efforts are doing today, common pitfalls to avoid, and ways to better innovate.



How the Survey Was Conducted

futurethink's Innovation Diagnostic, the basis for our annual Innovation Tracker, asks participants questions around the four key capabilities all leading organizations have: STRATEGY, IDEAS, PROCESS, and CLIMATE. Respondents completed a 20-question survey on our Website which let them rate their organizations' innovation efforts across these key areas:



Setting a foundation that defines innovation objectives and mobilizes efforts.

The notion that innovation is serendipitous is dangerously outdated. The secret to success lies in crafting an action-oriented strategy. It means setting a vision for your company to follow, and turning innovation into an expected result, not a lucky one. Innovation is handled like any business initiative—with an eye on growth, revenue, and profit.



Developing a stream of original ideas tied to real business objectives.

In today's economy, the ability to continually fuel innovation is what separates winning organizations from the rest. Idea generation should be managed, purposeful, and clearly linked to business objectives. Leading innovators succeed by balancing out-of-the-box thinking with sound management principles.



Creating a streamlined and flexible approach to shepherd innovative ideas to market.

The reality in every organization is that money is limited. To make sure you're spending effectively, you must have a streamlined process for innovation. A good process will help to consistently identify your best projects and enable you to move them forward more effectively.



Building a thriving work environment that drives innovation across your organization.

We live in a world where the new replaces the old very quickly. Only organizations that keep pace with the changing marketplace will be able to stay ahead. So how do the best companies adapt? They maintain a climate in which employees are encouraged to innovate in a continuous and consistent manner. The companies that stay ahead have made innovation part of their DNA.

- Each question in our Innovation Tracker touched upon a specific element within each capability and was written in the form of a statement (for example, “We have a core set of metrics in place to diagnose how and why our innovation efforts are being effective.”).
- Respondents chose to either agree, disagree, or neither agree/disagree with the statement. Each answer was assigned a specific score. Results provided individual capability scores, which ranged from 0 to 5. These capability scores were then added up for the total innovation score, which ranged from 0 to 20.
- The total score indicates the strength of an organization's innovation capabilities. The higher the score, the more innovative the organization is and the closer it is to making innovation a discipline. Low scores indicate that all is not well with innovation within the organization—it suggests that a company is not doing all it can to make innovation part of its everyday practice.
- Respondents also specified the size of their organization (in terms of number of employees), and their industry. This helped us look at innovation scores through both of these lenses.



Key Findings

1

Lots of talk, not a lot of action.

Progress with innovation efforts appears to have stalled. Innovation scores—across all firms—remain disappointingly low. Few companies even cross the 50% mark. The average innovation score for 2007-2008 was a mere 8.34 out of a possible 20, or 42%, compared to 8.3 in 2006-2007—a barely discernible improvement. This is particularly surprising given the considerable buzz around innovation in the marketplace and media.

2

“Quick-win” innovation activity has increased.

Within the four key innovation capabilities, IDEA and CLIMATE scores have increased, while STRATEGY and PROCESS scores have declined. Essentially, this means that enterprises have enhanced their quick-win and/or skill-building activities, and are focusing efforts on “behaving” and “acting” more innovatively by conducting more idea generation sessions and innovation-related culture-building activities (such as training programs and idea challenges). While this is a step in the right direction, given the corresponding decrease in STRATEGY and PROCESS scores (and overall scores as well), this activity has apparently not yet changed the perceptions around or the effectiveness of most innovation programs.

3

A “Ready, Fire! Aim?” approach is prevalent.

Rather than focusing on building the foundation of a sustainable innovation program, it seems that many organizations are spending their time and resources on “smokescreen” innovation activities that create an aura of innovation as opposed to setting the foundation for an actual innovation program. Our research suggests that innovation activity today has little strategic foundation or direction—STRATEGY and PROCESS scores in 2008 decreased compared to our previous years’ study, indicating that enterprises are still indulging in an “ideas-first, strategy-later” approach to innovation. Focusing on IDEAS and CLIMATE can be positive if the objective is to fill the pipeline, create innovation momentum, and show leadership commitment. However, too much of this activity only has a number of negative implications for management and the long-term efficacy and sustainability of innovation efforts in organizations today. Without a strong innovation strategy in place, innovation activity can simply confuse employees and hurt morale in the long-term. Employees are left wondering “Why are we doing this?” when they work toward something with no strategic foundation. Ultimately, innovation activities that aren’t grounded in a distinct strategy and an organized process are a waste of time and resources.

In the following pages, we’ll explore each of these findings in greater detail.

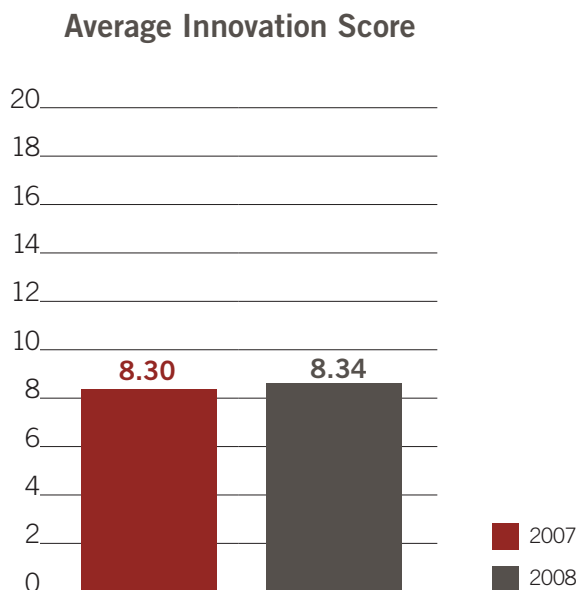


I. Lots of talk, not a lot of action.

The state of innovation has remained relatively stagnant, with most organizations still scoring low on our Innovation Diagnostic. Out of a maximum possible score of 20, the average innovation score was only 8.34. This number has only marginally increased from our last study when the average score was 8.30.

These low scores are particularly interesting given the high volume of innovation buzz in the marketplace. In spite of the explosion of new books, consulting firms, tools, training courses, and all the media around innovation; scores are not improving. It seems that everyone is talking the talk, but very few are actually internalizing the fact that innovation must be planned, managed, and deliberate in order to be sustainable.

This finding highlights the fact that most organizations simply do not have the capabilities (yet) that they need in order to rely on innovation as a source of lasting growth.



What Happened? We believe a few factors are responsible for these generally low scores.

- 1. Innovation requires more planning and resources than previously thought.** Many organizations set forth on their innovation journey without much of an idea as to what would be involved. Innovation is often mistaken as just creativity and brainstorming, when it actually has much more to do with long-term goals, customer insights, organizational mindsets, and robust processes.
- 2. A troubled economy is dampening the willingness to innovate.** Concerns over energy costs and a turbulent global financial markets have forced many organizations to either maintain the status quo or actually decrease the resources allotted to innovation. In a difficult economic climate, it's easy to shrink back in fear and opt for a more conservative focus on business-as-usual.

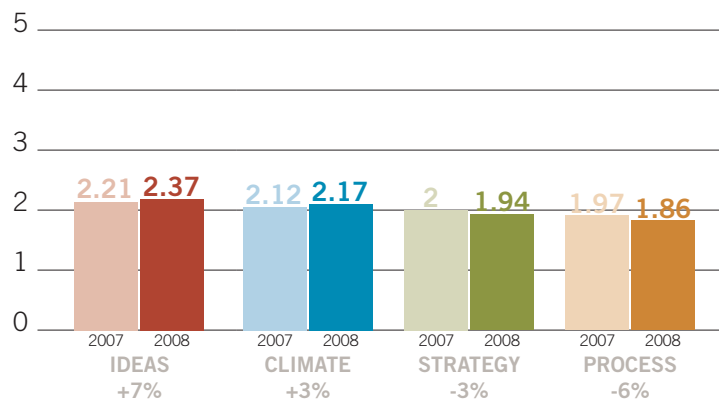
Let's take a closer look at the four key innovation capabilities to uncover more answers.



II. “Quick-win” innovation activity has increased.

IDEAS and CLIMATE scores, on average, have increased since our last study. IDEAS scores have gone from 2.21 (out of 5) to 2.37—an increase of 7%; while CLIMATE scores have increased from 2.12 to 2.17—an increase of 3%.

Capability Scores – 2007 vs 2008



These increases indicate that the “softer” side of innovation is gaining momentum. This could be because culture-building activities and idea generation are quicker and easier to ignite than the other two innovation capabilities, STRATEGY and PROCESS. Organizations seem to be focusing on activities such as:

IDEAS

Holding more frequent idea generation sessions and reaching out to a wide group of potential idea submitters

Starting more external collaborations to spark new opportunities and ideas

Cultivating more intimate relationships and a deeper understanding of customers

CLIMATE

Supporting an environment where an acceptable level of risk and experimentation is encouraged

Fostering a more active dialog within the enterprise (between departments, groups, functions)

Creating a more encouraging environment that welcomes new ideas

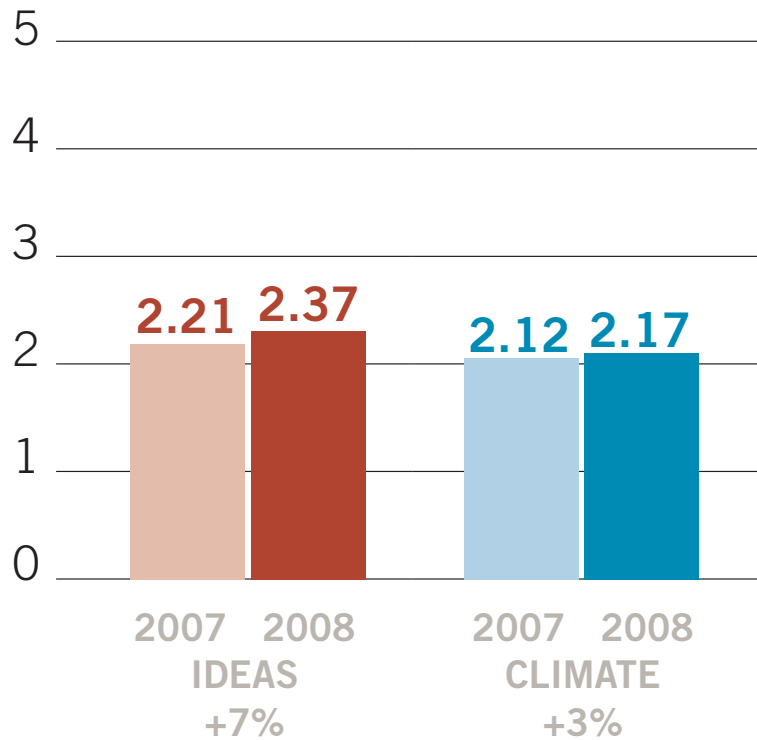
Of course, IDEAS and CLIMATE activities are an integral part of any innovation program—but not in isolation.



Why is there an isolated increase in these two capabilities?

To gain further insight into some of our findings, we spoke with a number of innovation practitioners in different industries and organizations. According to Craig Libby, Innovation Engineer at Wachovia’s Innovation Group: “There are a number of reasons organizations focus on IDEAS and CLIMATE-related activities. Regarding IDEAS, we are taught to solve things—to find solutions to issues. We are not taught to identify problems, or even more importantly, to identify the root causes to those problems. There is a tendency to rush and react whereby we treat the symptom (issue at hand), which is a temporary fix, rather than doing the necessary upfront homework to identify root causes to solve it permanently. Regarding culture or ‘CLIMATE’-building activities, there is a pervasive misunderstanding that we have to address culture before taking any kind of action. Getting leaders to commit (by setting strategy, allotting resources to create processes) is much more impactful to changing culture than just getting leaders to give verbal commitment.”

IDEAS/CLIMATE Capability Scores



Specifically, the survey data indicates the following:

- 1. Minimal Investment Required:** Focusing on IDEAS and CLIMATE is a quick, low-investment way to jumpstart an innovation program and show momentum. Many IDEAS- and CLIMATE-specific activities can be done in small teams and at any level of the organization. It's also easy to quantify and show the results of these activities (number of ideas generated, number of people involved in innovation, number of "experiments" in development).
- 2. A Need for Momentum:** Successes in IDEAS and CLIMATE capabilities provide quick-wins that teams can showcase both internally and externally to shape employee and marketplace perceptions. The power of perception is important in the innovation world—when innovation is perceived to be part of someone's work, it becomes a more integral part of the way things are done.
- 3. Little Management Commitment Required:** Both IDEAS and CLIMATE capabilities require less senior management involvement than STRATEGY and PROCESS capabilities. IDEAS- and CLIMATE-shaping activities (brainstorming, selecting incremental ideas to go to market, rewarding innovation efforts) can start and grow anywhere with an organization—but STRATEGY and PROCESS-building activities (setting organizational vision, defining metrics, setting program governance) require leadership involvement, support, and commitment.

Randy Voss, Senior Manager of Global Strategy and Business Development at Whirlpool agreed that "Organizations look first at IDEAS because there is a misunderstanding of what innovation means and the commitment required. Many organizations see innovation as a soft skill. This means ideation and brainstorming are the process, which leads to unrealistic ideas not based on consumer needs. Many organizations just chase new ideas and then try to capitalize on the "quick wins," and claim they are innovative. That's a limiting strategy. In order to truly develop a compelling strategy, innovation must be clearly defined within an organization, including measurement data and supported by senior management. With that definition, organizations can understand that they are working on the projects that will be embraced and supported, because they are tied to the overall strategy, with solid metrics."

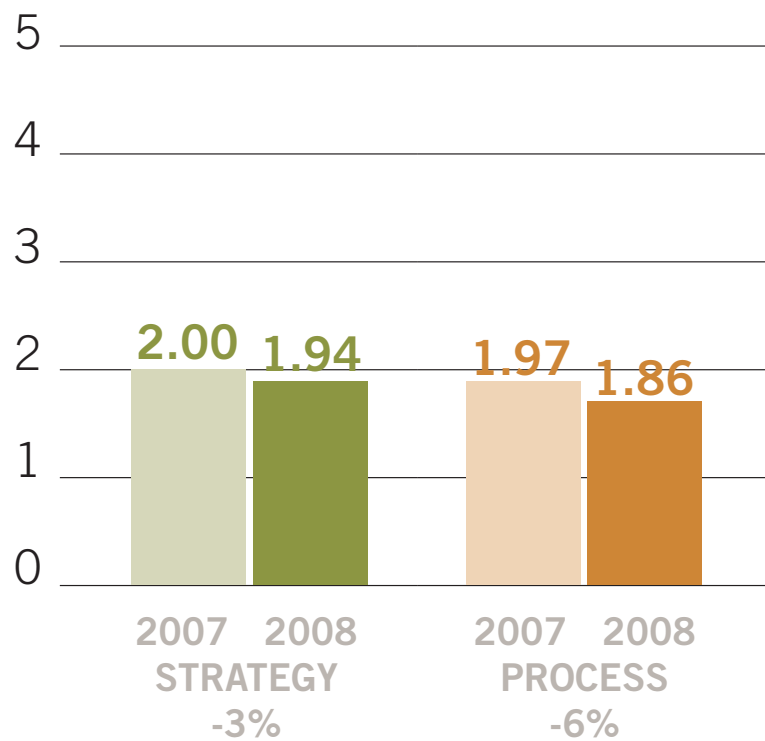
As a result, it appears that a "Ready, Fire! Aim?" approach is prevalent among organizations attempting to innovate.



III. Innovation's Cracked Foundation

Innovation STRATEGY and PROCESS scores were the lowest scoring capabilities, and scores in these areas have fallen from last year. Compared to our 2007 Tracker, STRATEGY scores dipped 3% from 2.00 to 1.94 (out of a possible 5), while PROCESS scores fell 6% from 1.97 to 1.86.

STRATEGY/PROCESS Capability Scores



In several instances, organizations are diverting resources and efforts away from STRATEGY and PROCESS activities and instead putting them toward IDEAS and CLIMATE building activities. The problem with this unbalanced approach?

A lack of STRATEGY and PROCESS capabilities indicates a fundamentally flawed approach to innovation—an approach where companies indulge in multiple, one-off activities that have little or no strategic foundation. Unstructured chaos is bound to lead to haphazard results.



Our survey indicates that organizations are lacking some of the following essential factors required for sustainable innovation:

STRATEGY	PROCESS
A vision for innovation that is inspiring and gets everyone on the same page	Dedicated channels through which to submit, hold, and build new ideas
Ownership and governance of innovation — who owns it, what is their role/responsibility within the organization	A set of evaluation criteria that allows organizations to select and invest in only the best ideas
A clear definition for what innovation is and what it means to the organization	A pipeline strategy that focuses an increasing amount of resources/investments on fewer projects as they move toward market launch

What Happened? We believe a few factors are responsible for these low scores.

A fear of commitment. Once management takes the time to lay down a STRATEGY and PROCESS for innovation, they are committing to it. They're defining innovation, establishing metrics and goals, assigning ownership, and charting out a path for shepherding ideas through the pipeline. But having these capabilities in place means that these managers are now accountable for innovation—and more importantly, accountable for the successes and failures that follow. Many of our clients and partners have noticed this trend—this fundamental fear of commitment and accountability. At the end of the day, managers aren't willing to put their livelihood on the line for something they don't quite understand.

Testing the waters. Rather than commit to innovation, managers seem to be testing the waters first. They lack the time and focus in today's busy (and tepid) business environment to establish innovation strategies and processes. As a result, quick-win efforts are used as a way for management to say they are "innovating" or that their team is "innovative." The problem with this approach is that this is ultimately frustrating employees and their willingness to innovate. They are told to innovate, but aren't given the tools, time, or direction to know how to do it. They aren't given the guidance around what needs to be accomplished. They've generated the ideas (see the high IDEAS scores) but don't know what to do with them. Which ones do they move forward with? What criteria should they use to pick the best ideas? These are the questions organizations with high STRATEGY and PROCESS scores can answer quite easily.

Randy Voss of Whirlpool again comments that "unfortunately, a weak foundation usually leads to unrealistic expectations. The tendency here is that if the expectations do not materialize, corporations lose interest and see innovation as an expense, instead of an investment in their future. To me, I do not see any distinction between innovation and staying in business. Organizations really need to understand and clearly craft their strategy at the outset, because without the vision and the plan, there will be disappointment with the missed expectations."

Those who are trying to develop a sustainable program for innovation need to remember that innovation requires a clear STRATEGY with which to drive efforts, and a robust PROCESS to ensure that the best ideas are consistently identified and implemented. Without these two capabilities, efforts are doomed to stall and eventually fizzle out.





Google: Structured, Strategic Chaos

A common myth about innovation (and today's leading innovators) is that success is found through chaos or luck. While this may be the case for a few companies out there, the vast majority of successful innovators are in fact very deliberate in their approach to innovation.

Google is a great example to study. While it's true that Google tries to maintain a very free, flat, and open environment for innovation; it still maintains a broad strategy and organized process to move efforts forward. Its STRATEGY is found in its simple, direct mission statement: Google's mission is to organize the world's information and make it universally accessible and useful. This statement helps the company screen and categorize new ideas and projects—if something doesn't fit within this core strategy, it's tagged as a back-burner, low priority project.

Google also maintains a 70-20-10 rule which dictates that search (quality, crawl systems, indexing), advertising (AdWords & AdSense), and applications (Google Apps) are where Google will spend 70% of its resources, as these are businesses and operations that sustain Google as an enterprise (core businesses). Google then allocates 20% of resources to “Strong Potential” projects such as Blogger, Google News, and Picasa (Google's photo-sharing platform)—all of which represent adjacent businesses. The company finally allocates the remaining 10% of its resources on seemingly unrelated projects of “personal” interest—projects like Google WiFi, Google Transit, and various forms of offline advertising.

As far as PROCESS is concerned—Google is extremely organized and methodical in its approach to managing ideas and new projects. Google Ideas is its internal idea-management database that all employees have access to. Employees can submit new ideas, comment on and build-out existing ideas, and vote ideas up or down. Every idea submission is tied to a particular employee or team, and that entity maintains ownership of that idea throughout its development.

Senior management takes a hands-off approach to managing Google's 16,000+ employees. Every employee maintains Snippets, which is an online worklog that is publicly viewable on the intranet. Managers can track their teams' progress by reviewing everyone's Snippets, and can hold meetings and reviews as necessary.

All in all, while Google's IDEAS and CLIMATE are clear drivers of its innovation success, it's important to highlight that it makes a deliberate point of balancing freedom and “chaos” with a clear focus (STRATEGY), and clear structure and organization (PROCESS).



5 Ways to Jumpstart Your Innovation STRATEGY & PROCESS Capabilities

1

Define it. At your next team meeting, set aside 30 minutes to discuss your goals for innovation. Before the meeting, ask your team to think about what innovation means to your team and your organization. What separates innovation from business-as-usual? What do you want your innovation efforts to accomplish for you? How will you measure its success? Beginning the conversation is the first step in the definition process.

2

Select 2-3 new metrics to track innovation success. Add innovation-specific metrics to your existing list of business metrics that tie to your innovation goals. How many ideas should each employee in your division submit, on average? How much time should the average employee spend on innovation-specific activities? How many new offerings do you want your group or organization launch each year?

3

Define the GREAT idea. When it comes to innovation, getting ideas is never the problem. Deciding which ones to fund is. How will you separate the GREAT ideas from the good ones? Discuss the 5-7 characteristics that define a great idea and ensure they are strategically aligned with your organization and its goals. Possible characteristics might include: brand alignment, customer need, competitive advantage, size of potential market/revenue potential, or ease of implementation.

4

Stop losing ideas. Most organizations have little trouble coming up with ideas—it's what they do with those ideas that can make or break innovation success. Set up a dedicated idea collection mechanism that centralizes and manages ideas, and that your core team of innovators will regularly review. It could be an Excel spreadsheet, an intranet-based Wiki, or integrating idea management software. It doesn't have to be complicated. Once you've set up a repository, let your team or organization know where they need to go to submit new ideas.

5

Make a checklist of "necessary nods." Make a list of people in your organization that will be critical to making your innovation efforts a success. Who needs to be involved to get ideas approved? What other business units, executives, subject matter experts, and associated milestones are you expected to pass with each phase of development? Know what (and who) will help you move innovation forward and ensure their expectations are incorporated into the development of your initiatives early-on.



The Last Word

As we've seen from this year's Innovation Tracker, too many companies are still focused on the short term with regard to their innovation efforts. Not enough organizations are putting the time and energy into building a lasting foundation for their efforts, which can lead to haphazard and inconsistent results.

Even in an uncertain economic climate, it's important to remember that innovation must be part of a long-term growth strategy in order to be sustainable. Companies of all sizes need to work at improving scores across all four innovation capabilities: STRATEGY, IDEAS, PROCESS, and CLIMATE.

Improving your score doesn't have to be difficult. Here are five tips to improve your innovation efforts today:



Diagnose your efforts. Have your team take the short, 20-Question Innovation Diagnostic used in this Tracker Report at getfuturethink.com/diagnostic, and use the results as a starting point to discuss the state of innovation in your organization or team.



Learn from other innovators. Don't reinvent the wheel. Look to other companies outside your industry for inspiration on how to innovate across the four key innovation capabilities: STRATEGY, IDEAS, PROCESS, and CLIMATE. Use these insights as a starting point in creating your own roadmap for innovation.



Get practical. Start making innovation a discipline. Start to answer these simple questions either individually or with your team:

1. What does innovation mean to our company/division? What will innovation do for our company/division in the next 5 years?
2. Where do we get the best ideas from? What other channels could we explore?
3. What do we do with ideas when we get them? Where do they go? Who owns them?
4. How can we better encourage people to innovate in our day-to-day work?



Schedule it. Block out just a half-hour each week to devote to innovation. Put it on your calendar as a recurring meeting, and use the time to do something to move innovation forward. Review some new and offbeat resources, get in touch with customers to hear their ideas, hold a brainstorm—what you do with the time is up to you; just make sure you're spending the time.



Make a visible commitment. If you're in a leadership position in your organization, it's important to commit to innovation if you expect your efforts to move forward. You cannot expect your team to get on board and change the way they work if you don't express a firm commitment to making innovation a discipline. Set goals, make a plan, and publicize your efforts.



APPENDIX

Survey Methodology

- 582 respondents, 5/2/2007 to 7/15/2008, data from 4/10/2008 to 5/14/2008 was irrecoverable
- Duplicates, extreme scores (all 0s, all 5s) were omitted from the analysis
- 50,000-100,000 and 100,000+ were combined and represented as “50,000+”
- Combined: Banking, Financial Markets, and Insurance together as “Financial Services”
- Combined: Computers/Tech, Electronics, Telecommunications as “Technology”
- Combined: “Retail” with “Wholesale Distribution/Services” as “Retail”

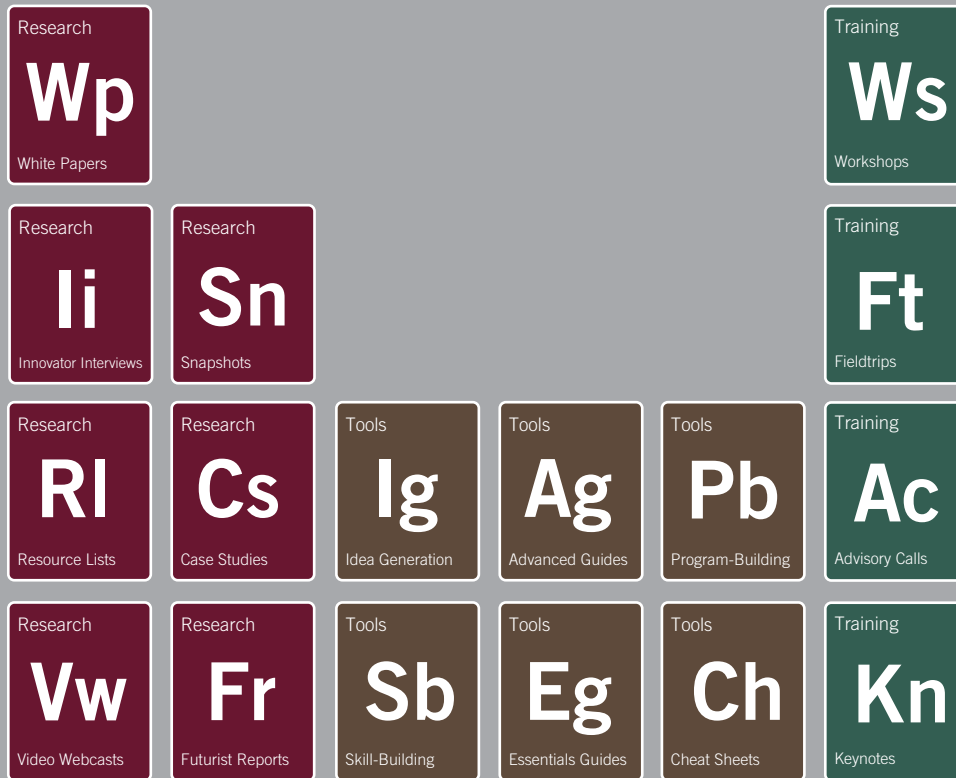
Breakdown of Responses

0-500	288
500-1000	55
1000-5,000	94
5,000-10,000	41
10,000-50,000	66
50,000+	33

Breakdown of Responses

Aerospace and Defense	13
Automotive	17
Financial Services	109
Technology	38
CPG	31
Education	29
Government	40
Healthcare	101
Industrial Products	20
Media/Entertainment	14
Travel/Transportation	23
Retail	32





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