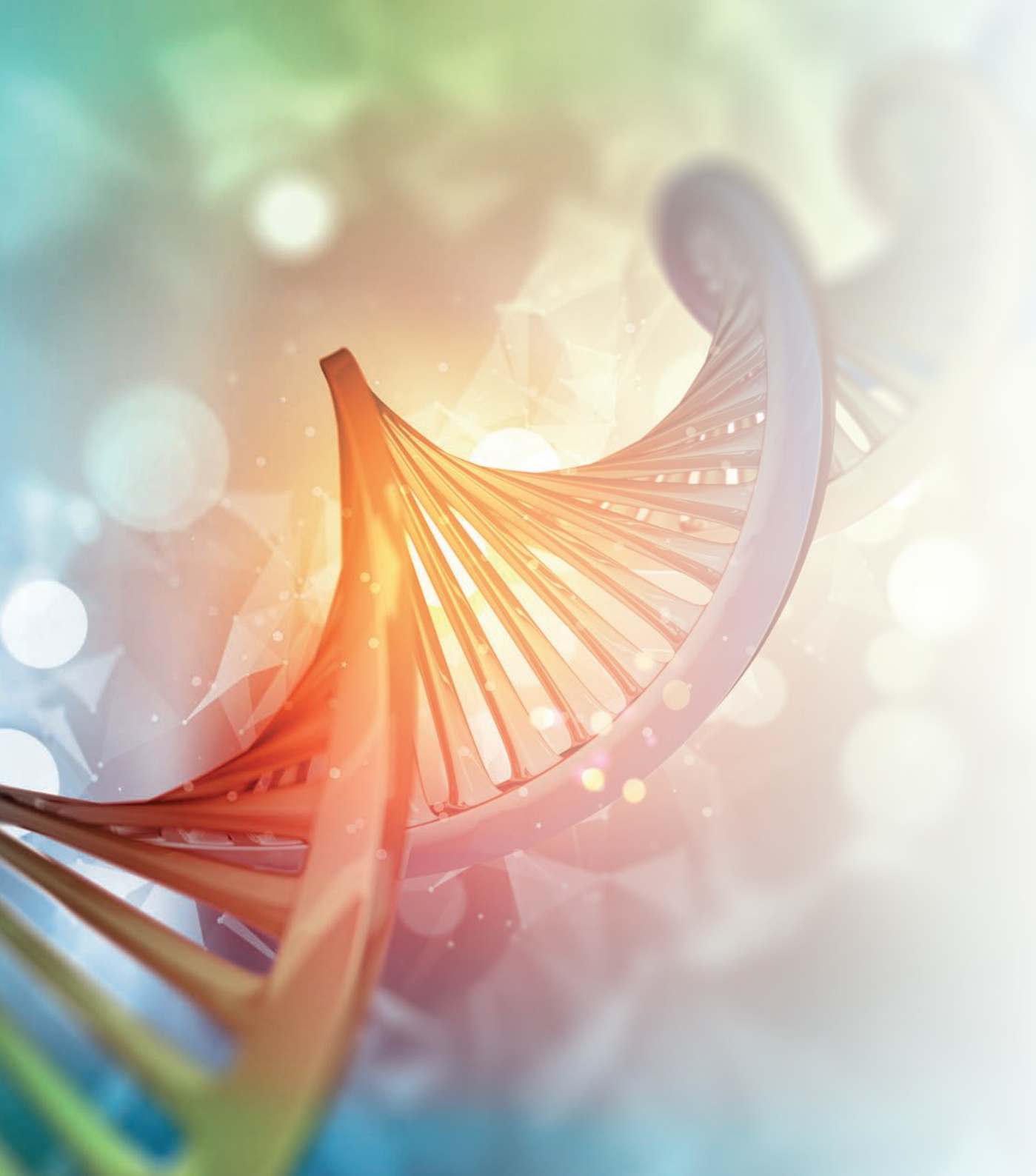
LEYTON

Let's Innovate
like it's 2025



Contents

Introduction
The Imperative to Innovate

Since its birth, the human species has been innovating.

Recently though, the pace of change has accelerated, enabled by the increasing connectivity of the world and the rapid rise of R&D investment globally. An innovation that once took decades to get adopted is now taking a few years. We see this in the rapid – almost viral – spread of consumer adoption for everything from social media to smartphones.

We now sit at a crossroads. The increase of computing power, artificial intelligence, connectivity and automation, sensors, biotech, robotization and networks, combined with ever increasing societal trends demanding at the same time better, more exciting and qualitative lifestyles and a more sustainable, green society, is creating a unique shift. This massive shift of trends will leave a countless number of companies in the dirt. But it does create an unprecedented wave of opportunities for companies and entrepreneurs who are determined to seize them.

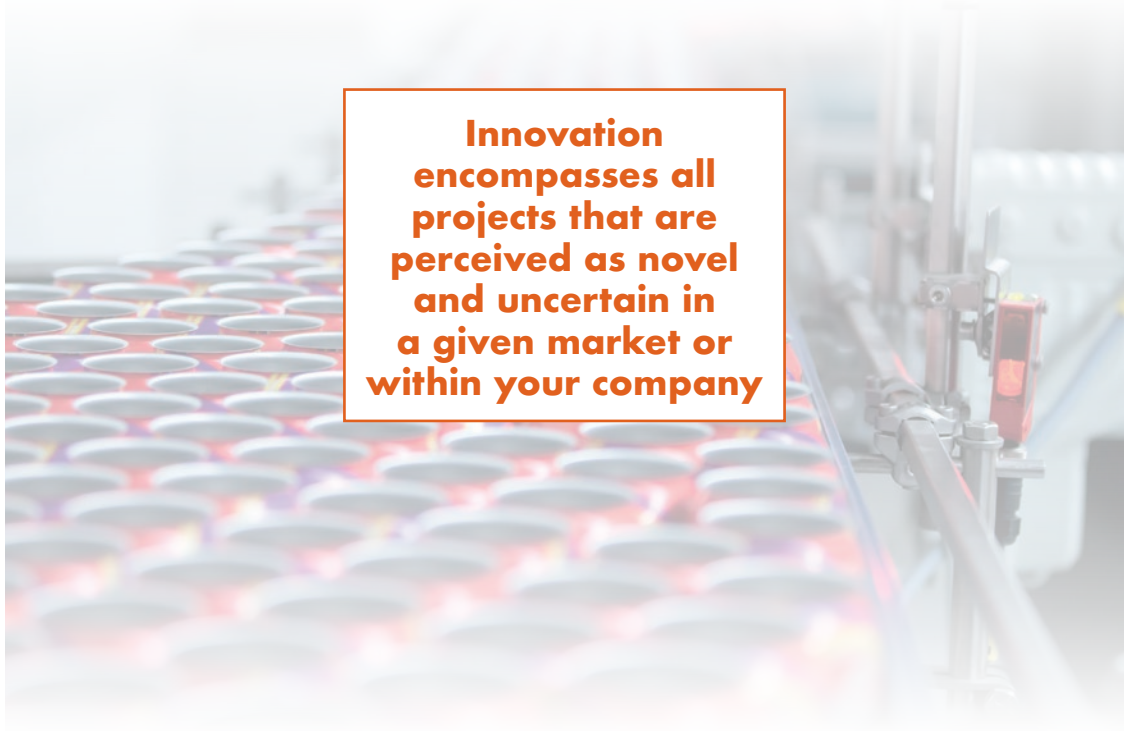
You may be active in a protected niche with little competition, or an industry under high pressure from digital disruption like media, and the outlook of change might be radically different. Nevertheless, most companies find themselves at this crossroads, and know intuitively that it's time to reinvent the company: to break new grounds, to change its route. Throughout those reflections, we found one common theme: the imperative to innovate.

Let's define innovation

Let's shortly define innovation. Innovation encompasses all projects that are perceived as novel and uncertain in a given market or within your company. They might be new features in existing products, new services, or creative/novel changes in the operating model, like customer services or operations. It does include new business models, like for instance selling cloud software in addition to services.

But we shouldn't innovate like it's 2015. It's no longer about funding some scientists in a lab, or just partnering with a sexy incubator or running an ideation workshop. Innovating in 2020-25 and beyond will be different, because the times are changing.

We will start this white paper by explaining a rule 0; a foundational rule that should permeate all your innovation efforts. We then go further and lay out 7 other key rules to win the innovation game.



Innovation encompasses all projects that are perceived as novel and uncertain in a given market or within your company

Rule 0

Innovation is all about Making, Testing and Narrowing Assumptions

I am 95% confident that this project will generate between 10 and 300 of revenue

Many of us have been trained to believe that good business decisions are based on facts. And while it's true, it's only partly so. Most business decisions, and especially innovation decisions, are based on assumptions. Sure, assumptions can be backed by facts, but facts are scarce when you innovate. This high range of uncertainty needs to be factored into your plans. Actually, we should not say 'I foresee this innovative project will generate 100 (k€ or Mln€) of revenue' , but rather, 'I am 95% confident that this project will generate between 10 and 300 of revenue.' Saying this might make you look incompetent to senior management – but that's because they usually deal with narrow, incremental changes in their current business model with a confidence interval more like 'between 95 and 105', which means they end giving up a number for every forecasted metric and not a range. You may need to educate them on confidence intervals – a good old statistical tool not really used in business planning, but critical when dealing with innovative projects. A huge part of innovative methods like lean start-up and design sprints are simply about narrowing the assumption range – as cheaply and as quickly as possible. Solid innovation methods pick up the most uncertain assumptions and focus an iteration cycle on narrowing its range. It might be designing a clickable mock up and submitting it to consumers, getting a contract signed by a customer before anything has been developed, building a prototype of an IoT water circuit to showcase it to customers.

WE DEFINED A FOUNDATIONAL RULE ZERO AND 7 OTHER KEY RULES TO THRIVE

0/ Be ready to adapt your assumptions

1/ Know where you're going to: align innovation, business and people strategies

2/ Think, identify and apply innovation vertically and horizontally

3/ Balance the horizons and surf the risk/reward curve

4/ Understand and play the ecosystem – on your terms

5/ Make the pipeline porous and flexible

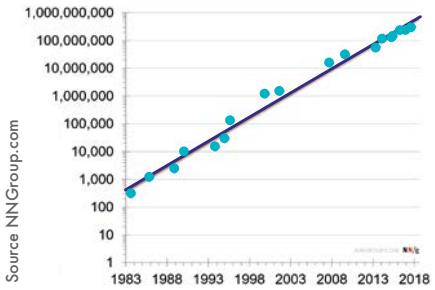
6/ Change culture through new practices, not new words

7/ Get into action fast... but pause regularly: "reflaction"

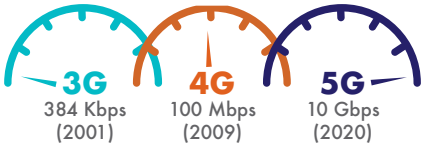
BE READY TO ADAPT YOUR ASSUMPTIONS

Internet Connectivity (Bits/second)

Fixed



Mobile



Businesses disrupted through the rise of bandwidth:

- Taxis (Uber)
- Hotels (booking.com, Airbnb)
- DVD rental (Netflix)
- ...

Yet this is only one side of the picture. The other half is that many assumptions that are considered valid, decay. Your current business depends on many assumptions, for instance, about the state of your competition. Assumptions don't usually become invalid overnight, but slowly over time, and just like the frog in slowly warming water, most businesses will be boiling but not jumping.

For instance, General Motor did not fail because of a sudden disruption in the market. Rather, a general focus on profit at the expense of bringing regular but small, incremental innovations to its car models led to a decrease in customer satisfaction and sales. They had wrongly assumed that the car business was a stable industry, with little room for innovation, and their customer base would not switch to competition. When the 2008 crisis hit, followed by fast decline in the market of new cars, it was too late and it filed for bankruptcy in 2009. The brand survived as a new company was formed after a bailout by the US government.

Most business decisions, and especially innovation decisions, are based on assumptions.

Most of recent disruptive companies, from Netflix to Uber and Airbnb were enabled by the rapid progression of bandwidth, which opened up a new field of possibilities for entrepreneurs. But how many companies have watched that progress and actually anticipated how it would affect their business models? Very few. It might be hard to follow all start-ups coming after you, so it's actually easier to understand how key enablers like bandwidth or others might impact your game.

Even if you know that a coming game changer enabler that makes a critical assumption of your business model less valid, taking action will still be very hard. Indeed, your whole business system, from product development to operations and sales and marketing and finance depends on your assumptions. Many managers want those to be true so badly they often end up believing they will stay true forever. And even if they start doubting, they often secretly hope that they will become valid again, that the 'fad' of this new technology will... fade. But wishful thinking is not a good business strategy.

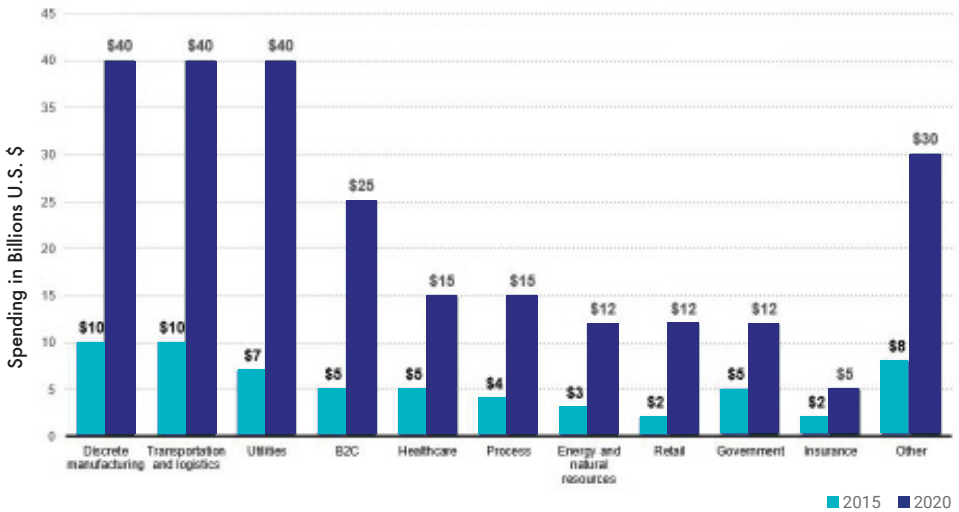
A major example of rapid evolution is 'Internet of things'. Investments in the areas are quadrupling or more over the 2015-20 period. What assumptions are you making that are no longer relevant in an IoT-enabled world?

Your business is full of assumptions, and a key role of innovation will be to test them, to change some and see what happens. Sometimes, your innovation will fail and you will simply have proven that current assumptions on your current business are still solid. You know, that blockchain prototype. Or that AI project. Well, this information is worth millions because knowing that some threats or opportunities are not yet materializing is vital. So, keep on cherishing your failed innovation projects, and keep doing enough of them, as you'll need to have multiple failures in order to have one success.

Spending on internet of things worldwide by vertical in 2015 and 2020 (in billions of USD)

Internet of things is one of the next wave of disruptions, across all sectors...

What assumptions are you making that are no longer valid in an IoT powered-world ?



Source Statista

Rule 1

Know Where You're Headed: align innovation, business strategies and talent/assets

So, your innovation strategy is your 'value creation' strategy (for the end customer).

You may think we treat you like you just got out of school. "Sure, we need to know where we're headed, that's what leaders are for!" Yet that is rule number 1 for a reason. In our investigations, we found numerous companies that have no precise innovation ambition. They have business objectives for revenues and cost, but innovation?

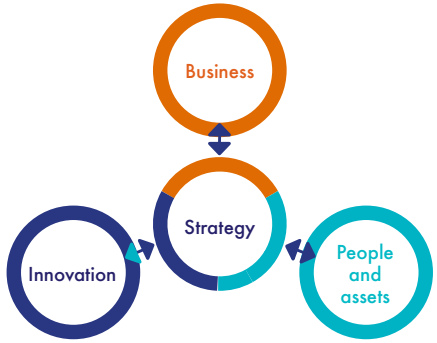
Your profits reflect your ability to capture value, which is itself a slice from the value created to your end customers. So to be able to capture some value, you need to create it for the end customer you are targeting. Because if you try to capture more value than you create, the customers will simply walk away – at some point. When the value is no longer created, because a more powerful, convenient, faster or cheaper alternative emerged, customers migrate. From taxis to Uber and from traditional hotel chains to Airbnb, from Nokia and Blackberry phones to Apple and Samsung. When customers start to flee, prices tend to go down because of overcapacity. And price is your ability to capture value. When volume and prices go down, panic is then the only strategy left. It usually delivers poor results.

So, your innovation strategy is your 'value creation' strategy (for the end customer), and your business strategy is your 'value capture' strategy (for your company). Many companies focus too much on the second part, often forgetting that if value created decreases, their ability to capture value will be impacted. For B2B companies, that may mean that better alternatives are available, or they can start doing themselves what they used to outsource. For B2C companies, that may mean that consumers find and prefer alternatives that they perceive as more enjoyable, more convenient, cheaper, or any other attributes, and those alternatives may or may not be perceived as 'competition'. Netflix pointed out that they are more concerned about Fortnite, the huge video game hit played by hundred millions of people, than competitors like HBO or Amazon Prime.

With an innovation strategy in place, you will be able to quickly change course and adapt in order to create new pockets of value for your end customers or stakeholders – and capture some in the process. Will that be easy? No, but without a strategy on where to create what value, it will be impossible.

RULE 1. KNOW WHERE YOU'RE GOING TO: ALIGN INNOVATION, BUSINESS AND PEOPLE STRATEGIES

Strategy for ...	... Is a plan to...
Innovation	Create value for end customer
Business	Capture part of created value within ecosystem
People and assets	Enable both



Finally, talent and assets matter even more than before. Most companies rely on a highly skilled workforce, and we live in the context of a talent war. The people that innovate may be at your companies, working for some start up or universities, or a combination. For instance, a key trend might be that a service is getting replaced by software, like building modelling, but you may not have the time to build one yourself if you are a service provider, so you need to identify assets you could buy to incorporate in your offering, like start-ups active in the space.

If you want your innovation strategy to unfold properly, you will need to be very precise about your talent and assets objectives: where are you credible in-house and what skills or assets are you missing? How to get them? If you can't or don't want to, who to partner with? Many innovation strategies fail on poor execution. No, a manager that has been doing the same job for 30 years will not turn into an avid 'intrapreneur' because you put a few buzzwords on a poster and you give him or her a training on the 'business model canvas'. Solid self-awareness on your capabilities and 'what it takes' to innovate according to your strategy is crucial.

Now, what defines a good innovation strategy? It needs the following elements:

Be very precise on the 'design domains'. This IT concept works great for innovation. Domains are areas where expertise can be combined to break new grounds. A pharma company might say we want to work out the domain of 'Drug compliance' (i.e. making sure patients take the right pills at the right time). An engineering company might want to explore the design domain of 'maintenance' for field machines, and invest in predictive maintenance algorithms. Use cases are usually derived from design domains. A use case could be: install sensors on all water pumps to find predictive patterns for faulty machinery. Innovative projects usually then come from your most attractive use cases.

Be clear on the technologies and market trends you want to tackle. Each requires investment, each may or may not impact your design domains. Some may be a fad and disappear, some might be the start of something really big. Anticipating which is what is very hard. So you'll need to take smart bets - not based on their evolution, but based on their potential impact (positive or negative) on your design domains. For instance, for payment or settlement companies like MasterCard, SWIFT, or Euroclear, their replacement by a blockchain might be highly improbable, but their impact would be huge if it materializes. So they should invest in this technology. One tool you can use is the 'expected value', i.e. the multiplication of a business impact by the probability of it happening.

Be customer/end user centric. a good compass is always: what delivers added value to the end customer? At the end of the day, you are not in the business of 'producing, selling and delivering' this product or that service. You are in the business of adding more value to end customers or users. If you lose sight of the final stakeholder, you may find yourself obsolete sooner than you think. So a key part of the strategy is to start back from the added value you bring, in a broader sense (e.g. not being a producer of heating systems but helping people feeling good at home), and innovate from there.

Be clear of where you don't want to invest. Like other strategies, focus is key. A big part of strategy work is being clear of where you don't want to invest in. You may decide to skip AI for a while. So what? It might not be that relevant in your sector.

Give it the specific resources with specific time horizons, specific talent in the right structure. Time and money in innovation have different horizons than classical execution or business strategies. Innovation projects need more time and more dedication. They need people with the ability to both think and execute quickly, and to persist, despite the failure and hardship, in summary: highly resilient people. They may need a dedicated structure that can bypass the traditional long corporate processes, like a digital lab. In short, they need to innovate on their own terms. And those are worth it, so don't compare them with your 'quick wins' initiatives aimed at squeezing more cash out of your current businesses. After all, they may be your life line in a not so distant future.

5 KEY ELEMENTS OF A GOOD INNOVATION STRATEGY

1/ Be very precise on the 'design domains'

2/ Be clear on the technology and market trends you want to tackle

3/ Be customer / End user centric

4/ Be clear on where you don't want to invest

5/ Give it the specific resources with specific time horizons, specific talent in the right structure

Rule 2

Think, Identify and Apply Innovation Vertically and Horizontally

Innovation in many corporations used to be either weak in many sectors or one-direction arrow: from ideas to prototypes/early test down to market, with a duration of a few months for a cloud company to 10 years in pharma. It is however changing rapidly.

Vertical innovations are innovations in your sector that may impact you. For instance, biotech companies are a direct threat or opportunity for big pharma. Most sectors have vertical innovations. For instance, what if a software company makes the job of engineering large buildings or manufacturing sites so easy that it can be done by non-engineers, or even the end client? Whether engineers like it or not, it's coming. If you don't look vertically, you will simply fail to spot relevant innovations.

Horizontal innovations are transverse innovations that impact specific functional areas. For instance, sensors powered by IoT are enabling new supply chain designs and management. Big data is changing consumer marketing. These and other examples may impact the way you operate your company or even the products and services you sell.

We know it sounds overwhelming. And it is. As stated in the introduction, these times are a period of major upheavals. But it can be done, and it can be acted upon.

In innovation more than anywhere else, the proof really is in the pudding.

If you have a clear domain strategy on where you want to innovate, you'll be able to find and select the innovations that are relevant to that domain and which contribute to solving customer problems or aspirations within it. You will need agility in order to change course quickly if a domain has less potential or if other domains pop up. This is why identifying domains, and mapping out vertical and horizontal innovation opportunities on those domains matters - it's a dialogue, a tension between the two that will make your innovation work produce tangible results.

Now, even if you have spotted promising innovative ideas, vertically and horizontally, can you call it a day? Not yet. Applying innovation to your business will be the next step. In innovation more than anywhere else, the proof really is in the pudding. Because many technologies are immature. Because clients can't project themselves if they don't see something in real life. Because you can't really learn if you don't do it. Applying innovation through prototypes, partnerships and proof of concept will be the essence of the game; less PowerPoint and more action should be your new slogan.

Rule 3

Balance the Horizons and Surf the Risk/Reward Curve

You need a good understanding of the risk/reward curve.

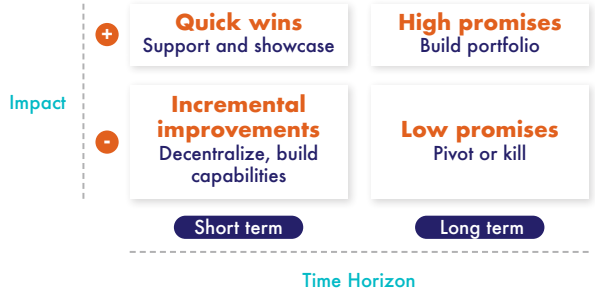
Some companies innovate on a daily basis. The lean model can implement the bottom up ideas from employees or line workers in days, not months. Yet even companies like Toyota, the inventor of the whole lean movement (not to be confused with the lean startup movement), are lagging behind when it comes to long shot innovations like autonomous vehicles. Autonomous vehicles are coming, and while it may not be before 2020, it will likely be during the 2020 decade. This will redistribute the cards in the car industry, as attackers like Tesla, Google and Uber are at the forefront of this trend.

Balancing short term, small reward innovation with long term, high risk / high reward games is fundamental. You'll likely need both, but how conscious are you about the strategies and portfolio behind them? Clearly mapping them out is the first step to identify blind spots and opportunities. You can then decide to pivot or kill low promises initiatives, better support your quick wins, and build capabilities to sustain incremental improvements. Last, you should have solid portfolio of long term but promising initiatives.

In addition to time horizons, you need a good understanding of the risk/reward curve. Usually there are no free lunches, and a high risk initiative will also have a high reward, and vice versa. Sure, some companies pursue 'arbitrage' opportunities, which is the ability to capture a large amount of value at a low risk, and you may have some sitting right in front of you. But how many initiatives are you willing to bet on in each area? Are there enough of them? How do you make sure some initiatives don't end up in the 'death zone', as 'high risk / low reward'? How is the portfolio coherent with the risk profile of the company?

You may need to transform the risk profile of the company, not turning your back to opportunities because they have a too different risk profile. It is indeed often possible to partially 'derisk' an opportunity and take the necessary time to transform the company – or to spin it off. For instance, Adobe transformed from a company selling licenses (in CDs or downloads) to a renting model (cloud based), and Microsoft is following with products like Office 365 and Azure. In fact, renting has a more attractive risk profile (more predictable revenue) but nevertheless the transformation was challenging and risky for the quoted companies since it meant turning away from short term revenue in order to turn it into longer term cash flows.

BALANCE THE HORIZONS...



...AND SURF THE RISK/REWARD CURVE

Rule 4

Understand and Play the Ecosystem – On Your Terms

A clear rising trend that occurred in the last decades is the importance of ecosystems. Michael Porter published his work on the '5 Forces' in 1979 and it remains a milestone in management science. This model illustrated that industries are attractive or not depending on the interaction of five key forces: the power of clients, suppliers, substitutes, barriers to entry for newcomers, and of course how fierce the competition is.

While this is true in stable environments, new forces have emerged, mostly through technological progress, which have enabled much higher transparency, connectivity, speed and ultimately different distributions of power. We call these 'ecosystem forces', which provide a complementary view compared to Porter's 5 forces.

There are 5 ecosystem forces at play in any given industry:

Forces of disruptors. They don't compete in the sense that Porter meant it, but by providing radically different solutions to add more value to your customers, and changing the game in the process. Neobanks like Revolut or N26 are not after your bank account, they want to radically alter your financial experience. Who knows if at some point cryptocurrencies won't replace banks altogether?

Forces of technology innovators and talent. Tech innovators are not necessarily aiming to disrupt but to enable innovation play in specific areas. In a world of fast innovation but rare talent, partnering with the right tech innovators can make a difference. This is why some giants have paid a fortune for companies with little to no revenues but huge talent and great solutions. More generally, top employers like Google with their strong employer branding, are attractors to key talent, enabling them to innovate faster.

Forces of early adopters and influencers. Fashion brands have understood it for a while. Early adopters (who are prone to adopt innovation without social proof), and influencers can make or break innovations. At the age of Instagram, Facebook and Twitter, their power has been decupled. Many companies fail to observe them, even less to influence them. But they exist in every single industry.

Forces of platforms. 2-sided networks or also called "platforms" used to be restricted to specific industries. Payment companies like MasterCard or Visa have a huge protection of their market position thanks to their network of bank issuers on one side, and merchants on the other side. It does not make sense for an individual bank to step out of such a valuable network.

Recently the digital trend is turning more and more sectors into platforms. Beyond the usual suspects like the App store, Uber, and AirBnB, you find platforms in logistics (connecting buyers and suppliers of transport), and of course commerce (marketplaces like Ali Baba and Amazon). Google is a platform connecting buyers searching and advertisers proposing an offering matching their buying intent. In banking, the European directive PSD2 is forcing banks to open up their platform to third party providers, who can read the accounts and issue transaction orders (with client permission). This could turn banks into platforms (app store-like) or on the contrary make them irrelevant. Making a platform is extremely hard, as initially the demand is too low for supply players who check in (no traffic), and offer too low for the demand (not enough sellers/ choice). Yet once a platform reaches critical mass, it is nearly unstoppable. The forces determining this success, and usually leave space for 1 or 2 players are very specific. Knowing how to play them is becoming increasingly critical.

Forces of supply networks. Inditex, the owner of brands like Zara and Massimo Dutti, has their production done partly in Asia and partly in Europe – but wholly outsourced. This, coupled with huge logistics investments, have made of them a master player in the world of 'fast fashion'. Similarly, Apple's key supplier Foxconn relies on a network of local suppliers and local workforce. This network is a key reason for the huge profitability of Apple (beyond its brand). However, it can also be a key hurdle if they ever decide to shift some production out of China. Mastering supply networks is fundamental in some sectors, and it does not require insourcing the supply chain, only managing it properly.

UNDERSTAND AND PLAY THE ECOSYSTEM – ON YOUR TERMS

Even though these ecosystems forces are real, how do you play them? By mapping out the forces against your strategic innovation domains. Maybe a platform is about to be created within a key domain for you, or technology disruptors are changing the way it is addressed. Whether this domain is maintenance, medicine compliance, or needle caps, you need to understand the various ecosystem forces and how to play with them.

Once you know what's going on, you need to play 'on your own terms'. It will be less about simply creating an incubator or accelerator program but more about getting in touch with the ecosystem, in order to figure out which type of partnerships will help you innovate faster and better, or simply maintain your relevance, in a nutshell: implementing your innovation strategy.

There are 5 'archetypes' of ecosystem play you can make use of (and combine), as illustrated on the next page.

A final play which is less 'with the ecosystem' and more 'build the ecosystem' should be mentioned for completeness: create a subsidiary or a spin off to focus on a specific market opportunity or technology.

Today many banks have appointed 'ecosystem managers' who are in charge of playing the game right, i.e. adjusting how they will open their banking platform, balancing the initiatives they take internally with external partnerships, all on the right terms and according to the right timing. This is a huge challenge. That's why they appoint experts, not juniors. Other sectors are still far behind.

Once you know what's going on, you need to play 'on your own terms'.

Many companies have started working with start-ups by opening an incubator – not to be confused with your own digital / innovation lab. While an open, proprietary incubator might be a valid strategy if you own surplus real estate, it will rarely yield tangible synergies with your organization. Venture capitalists, on the other hand, welcome inbound queries but spend most of their time 'scouting' attractive existing startups. They seek out the best startups based on their investment strategies. Similarly, corporations should scout the start-ups or more broadly innovative firms they need based on their innovation strategy.

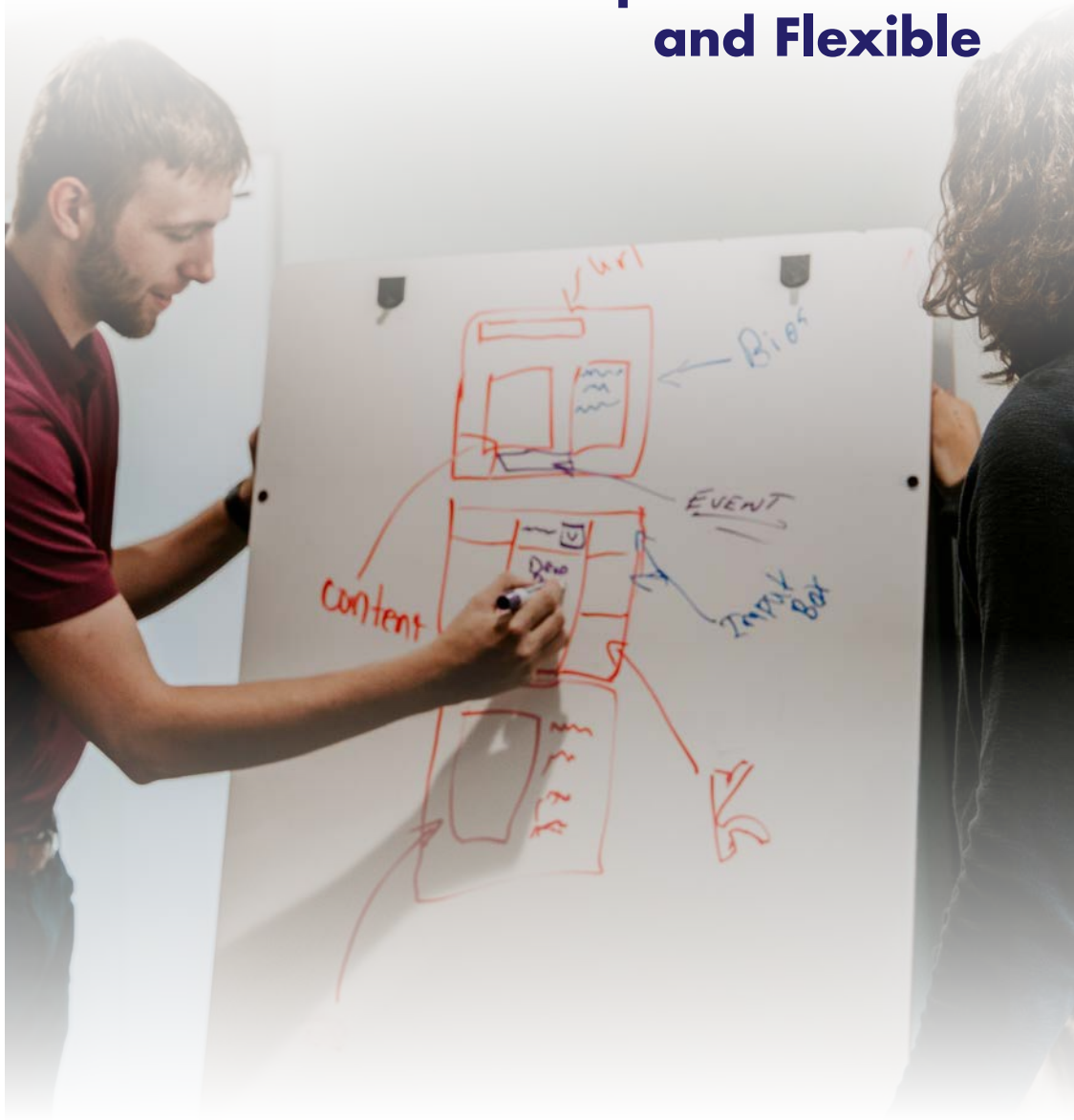
In the massive technology and societal shift we find ourselves in the midst of, it will be nigh impossible not to play the ecosystem game. If you don't play with the ecosystem, it may play with you anyway. Like Porter's five forces, ecosystem forces will protect you, help you thrive or kill you, depending on how you play the game. Luck is part of the equation, but you can always raise your chances by playing smart.

5 WAYS TO PLAY WITH THE ECOSYSTEMS

Play	Best fit for...	Watch out for...
Partnerships	**Exploratory innovation:** you want to test new waters but are unsure about the opportunity (e.g. partner with an AI firm on a client project) Re-enforce your supply networks	You're not building expertise (or you are doing so slowly). Collaboration might be challenging if the initial duration/scope extends too much. Different sizes of companies create different expectations and operating models.
Partner with or open your own incubator or start-up studio	Willingness to innovate in disruptive areas but no internal people match nor skills, or willingness to help own internal disruptive initiatives to take off	Option to buy the incubated start up necessary. Very dependent on local talent/ideas – sometimes hard to match with strategic innovation domains
Invest a minority stake (Corporate Venture Capital)	Interest in specific technology or market opportunity and willingness to influence development but desire to mitigate financial or integration risk	You will likely have little actual influence on the evolution of the innovative company
Acquire a start-up or another innovative company	Need to quickly get rare skills ("acqui-hire"), and/ or critical and differentiating technology or offering, and/ or client base, in order to quickly move into a strategic innovation domain	Integration with larger corporations is often challenging. Earn out of founding/management team is often critical
Perform a hackathon, open innovation call, acceleration program, or other 'open innovation event/program' event/program'	Desire to 'test the waters' in strategic domains and understand outside talent strengths/weakness.	Too divergent compared to your chosen strategic domains

Rule 5

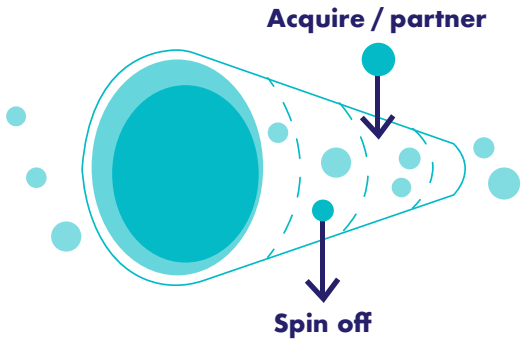
Make the Pipeline Porous and Flexible



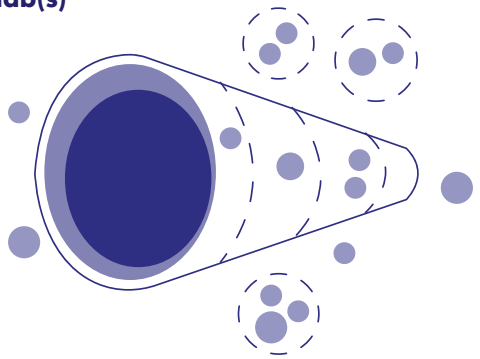
Maybe your pipeline is not in place yet, or it's run dry. Maybe the gates aren't working and you end up continuing projects that should have been stopped and stopping others that looked more promising. Maybe the people sitting on the innovation committee are not the right ones. It's OK. Innovation is a dirty process. Failures rates are high. People give up when they should not. Others keep on banging their head on the same wall, simply getting a bigger headache. As a famous TechCrunch article from 2011 headlined: "Start-ups commit suicide." It's true, they don't simply run out of cash. Their founders give up the fight. They got fed up with paying themselves chicken feed. Sometimes their business plan doesn't pan out as projected (they never do), but they still think it's their fault. Don't expect innovation projects to behave differently. It's hard for everyone involved. Sure, you should narrow your assumptions, review your KPIs, use modern techniques like design sprints and lean start-up, constantly seek customer validation. Innovation is not a gut feeling exercise, it should follow a scientific approach in order to find the right problem-solution fit and product-market fit. But eventually people are involved and they are the ones who will make it happen or not.

This is why your pipeline should be porous and flexible, i.e. let projects enter or exit the company at any stage in the innovation process. You need to be able to isolate people in dedicated teams or labs if that gives them more focus – and yes, creating an innovation lab or a dedicated subsidiary is often a good way to do this. They need to be able to spin off the project if they want to (and it makes sense to the company). Inversely, projects that get stuck should be able to seek outside help. Maybe you should buy rather than build that piece of equipment, or maybe buy the promising start-up that works on it, or partner with your competitor that needs it too (and this innovation will develop market demand, to the benefits of both). Innovation needs fluidity, movement, and will increasingly work in ecosystems. The job of the management will not be to raise thumbs up or down during monthly innovation meetings but to support, facilitate, and remove the impediments that stand in the way of your innovation projects. Help them pivot; narrow some options. Sometimes, the impediments are so strong that the best solution might simply be to spin off the project as an independent company.

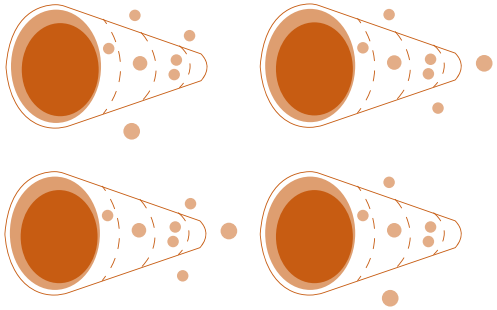
Of course, some projects will dive into the dead pool. However, as we mentioned, let the owners kill them off themselves: you as a manager have no idea if every stone has been turned or not, the project team has. If Michael Dyson had worked for you, when would you have stopped him working on his new bag-free vacuum cleaner? After failed prototype number 51, number 512, of number 5126? None of those answers are valid: only prototype number 5127 was good enough.



Create dedicated lab(s)



Decentralized pipelines



Rule 6

Change Culture Through New Practices, Not New Words

If you pick most famous corporate brand names and go to their website, you'll surely see "Innovation" as a key cultural theme, value, objective, you name it. There's nothing wrong with that – it's important to make innovation a key theme in today's world, and make it known
internally and externally. But if the secret hope is that by promoting an innovation culture the company will magically adapt to the market disruptions it faces, and of course have nice new things to tell to their customers, then it's all wrong. Because once again, wishful thinking is not a solid strategy, and most of innovation culture initiatives go nowhere.

But what is an innovation culture by the way? Or maybe we should ask ourselves: do we want an innovation culture? After all, most employees of a company should do their job: respond to customer inquiries, ship boxes, manufacture products, you name it. Innovation? It's a distraction that may well bring chaos to a well-run shop – or it might be perceived as such.

It's true: you don't want to mess with your current operating model. Customers rely on it. Maybe you can make some small, incremental creative improvement, but that's it.

Or maybe not. As we mentioned earlier, assumptions do decay so you may feel the imperative to change your culture. Even operations people need to embrace innovation as it comes. But their initial reaction will be resistance to change, which is normal.

Wishful thinking is not a solid strategy, and most of innovation culture initiatives go nowhere.

You see the point. You don't necessarily need an innovation culture that encourages everyone to imagine and implement new ideas, but a culture ready to embrace uncertainty and change, in a nutshell, a culture that welcomes innovation. How do you achieve this? Not through poster walls with buzzwords, but by specifically promoting practices and principles of actions which foster flexibility and openness to change and innovation. At the same time, the culture should carry an immense respect for and careful attitude toward your current operating model. Every company should formulate its own principles (you don't change a video game like you put a new life-saving drug on the market), you will find example below for inspiration.

The key is being specific about the 'mental models' people need to use when facing an innovative project, and how they act upon it.

Once it's defined, you may want to favor specific leadership styles that are compatible with your principle of actions, and be clear on the leadership styles you'd want to eliminate. Let's be clear though: usually, a culture based solely on top-down decision making involving large set of people, an army of middle managers taking orders, and a culture of seeking who is to blame for the latest failure...won't work. Leadership will need to be distributed, autonomy given, and leaders will need to understand that failure is an opportunity to learn and not to blame.

Finally, you will need a cultural change program including specific training on specific innovative cases. You will need to work out these cases with the people involved. Then repeat over and again.

EXAMPLES OF PRINCIPLES OF ACTION FOR INNOVATION

- All hypothesis are valid until proven wrong
- Complex changes can be cut in simpler blocs
- Risk is a factor. Derisking is always possible
- Be effectual: work with what you have
- Prefer a smaller scope over lower quality
- Change is a process people need to go through: don't go faster than the music
- We prefer a courageous initiative that fails than a timid one that succeeds

Rule 7

Get into Action Fast... But Pause Regularly: "Reflaction"

A managerial theory points to a significant difference between managers and entrepreneurs: managers focus on an objective, and derive the needed means to get there (money, people, time), while entrepreneurs focus on what they have at hand (team, contacts, families) and think about what they can achieve next with those resources. It's call the 'effectual' approach. As an illustration, more than 50% of the Inc.500 ranking, which highlights the fastest growing companies in the US, had no business plan when they started. Zero. The founder just saw an opportunity, started the business, and figured it out along the way.

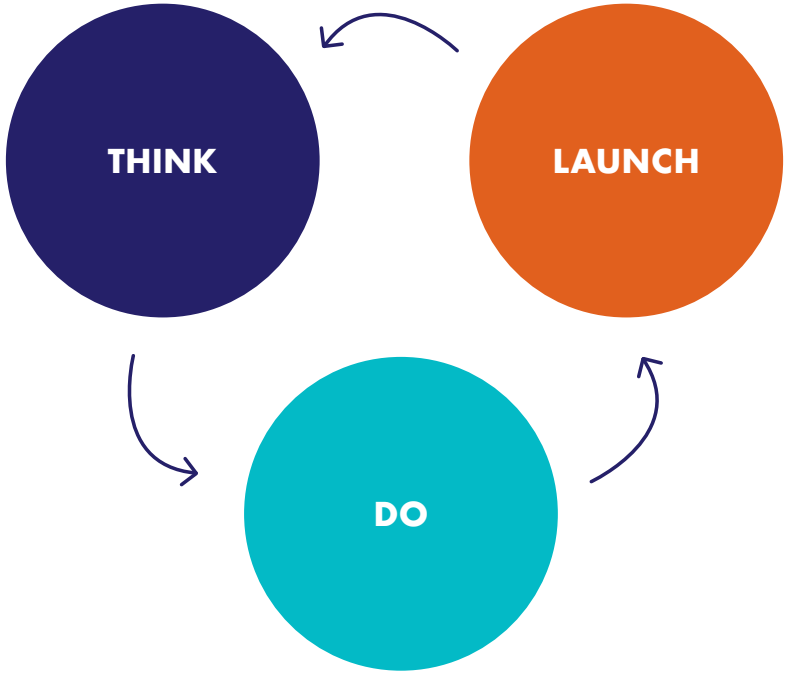
Which way is the best then? We think it's a false debate. Because let's be honest, entrepreneurs do have medium term objectives, and managers know what cards they have in their game. The key difference is that when you derive means from imagined objectives and outcomes about an innovative domain (the managerial approach), you have an almost infinite set of possibilities, which can take months or years to explore. But when you have little cash, few friends and some ideas, you'd better get going fast because your options, and your time, are limited.

The point of all this is that action is your best thinking. If you spend too much time planning, theorizing and brainstorming, you will likely get lost along the way. Real action means starting a prototype, talking to customers or getting a university on board. Get the thing moving. Of course, if you want to launch a rocket into space, it's good to have an idea of what it takes.... And even then. According to the biography of Elon Musk, the team at Space X had not a clear idea of what it meant when they started. And they failed multiple times, even when the prototype was so simple and small that it looked more like a firework than a space rocket. Elon Musk is not a business planning
guy, but a problem solver – and a persistent
one. If someone came with a statement like 'it's impossible', the only explanation he accepted had to involve fundamental laws of physics to convince him.

Action will get you moving, will create a dynamic, and give you invaluable feedback. Is this all? No. You'll often need to pause and take stock of your actions. Are you getting there? What did you learn? What hypotheses can you narrow, validate or invalidate? Should you pivot on some dimensions of the problem? Should you rethink the out vs insource decisions?

'Reflaction', a mix of reflection and action.

The whole process, also fundamental in agile practices, is what we call 'Reflaction', a mix of reflection and action. You don't want to dive into a project without stepping back often, nor do you want to spend too much time thinking, because you end up speculating on too many uncertain hypotheses. You'll feel it when the discussion becomes circular, when people are two steps further while the first step is not even started, even less proven. Stop it. Get back to the question: 'What progress can we make in the next two weeks, that will help us check some of our assumptions – or at least narrow their range? What about the next two months?' If you don't do that, you'll find yourself in precisely the same spot six months later.



THINK means mostly reviewing the long term vision and preparing the next step, pivoting if needed.

DO means actually doing: prototypes, development,...

LAUNCH a key element: get real feedback from real customers / stakeholders.

Conclusion

Let's face it: innovating is becoming increasingly difficult. But what gets in the way is not the innovation potential. Most companies have the intellectual talent to innovate. No, it's where we focus on, how we think about it and how we manage it.

Between the amount of consumer trends, innovation domains, technological trends, innovative methods and governance models as well as cultural barriers, the development of entrepreneurial initiatives, it is fairly understandable to feel lost, especially if some past initiatives have failed or are struggling.

So, let's eat our own dog food and apply the same rules for your innovation management as you would recommend to your innovation project leaders: be pragmatic and actionoriented.

There are a number of steps you can do tomorrow that will deliver impact, for example:

Discuss with the management about innovation strategy and execution. What assumptions that you're making in your core business are decaying, what domains of innovations should you pick up to to add more value to existing or future customers?

If you have one, take a critical look at your innovation program with your management team: how mature are you? Are your innovation and business strategies fully aligned? Is the governance, composition and mindset of the innovation committee the right one? Should you seek more external innovation through partnerships or acquisitions?

If you don't have an innovation program, start by reviewing your business strategy and choose where you'd want to add more value to your customers. You might as well quickly start an internal innovation program based on employees' ideas, in order to test the waters, and focus on quick wins to showcase the internal innovation potential.

If you have R&D that is mostly technical, screen your project portfolio to find where new skills and techniques at both end of the pipeline could be applied: initially through ideation, design sprints, innovation days, and at later stages through spin offs, acquisitions, new business models and specific go-to-market plans.

Research your ecosystem, and identify key rising players to approach in order to explore a possible 'play' with them.

Focus on a specific combination of a technological trend (e.g., IoT) and an innovation domain (e.g., lower-cost maintenance), and run a workshop combining a review of use cases/state of the art including in other industries, and possible gaps and solutions to add more value to customers based on that.

Run a workshop to review some initiatives or your whole portfolio on one or a few of those rules, for instance to check if your portfolio is balanced against risk vs reward and time horizons. Then identify key actions to address the gaps (or choose to leave them as is, but at least this is then a conscious decision)

Review your innovation culture through a simple diagnosis (e.g. an online questionnaire), and make sure to measure both the will and skills to innovate, but equally critically the will and skills to change and implement innovation.

We think these rules are critical to bring your innovation to the next level, and innovate like it's 2025. Whether you already follow most of them or only plan to do so by 2025 is not so critical, as long as you are on the way to continuously improve and seek to innovate better, faster, and more. And as usual, your company is unique, so debate them, twist them, remove some, add others. In short, make them your rules. And rule your industry...or the one you want to disrupt.

Your efficiency, our priority

Leyton is a global innovation funding consultancy firm dedicated to help our clients improve their business performance. In Canada, our specific expertise is the SR&ED Program, Sales Tax Recovery and Government grants.

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> **The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.**
>
> *George Bernard Shaw*

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