



BW VENTURES

Navigating the Complex World of Innovation:

A GUIDE FOR SUCCESS

12 STEPS TO A GREAT INNOVATION STRATEGY

by Maarten van Kroonenburg

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NAVIGATING THE COMPLEX WORLD OF INNOVATION: A GUIDE FOR SUCCESS

Innovation is not an easy process for your business. It's tough to predict, and finding a breakthrough can be an ongoing task.

Yet, this journey, though demanding, is filled with potential and opportunity. Every step towards innovation is a step towards growth and transformation. Ready to embrace the adventure? Let's innovate and shape the future!



12 STEPS TO A GREAT INNOVATION STRATEGY

Innovation in business is far from straightforward. It's unpredictable and challenging, yet essential for growth and staying ahead. The search for that one project which will not only innovate but also be financially rewarding is a journey of continuous iteration.

Understanding innovation isn't easy. Unlike marketing, where a well-calibrated system can turn €1 into €3, innovation is hard to gauge. Innovation isn't just about being cool and creative, it's not about taking random chances, similar to unpredictable stock market bets.

In recent years, we've seen a surge in methodologies like Design Sprints, Lean Startup, Design Thinking, and Ecosystem Innovation. These approaches are gaining popularity for good reasons. Similarly, we see organizations exploring diverse avenues: innovation labs, startup investments, co-creation, incubators, accelerators, and more.

We all agree: innovation is key to sustainable growth. As an innovation manager, you've likely heard it from the top:



**We must
innovate
to grow.**



**We innovate
to create
value.**



**We need to
innovate to
stay ahead of
competitors.**



Yet, achieving this is complex. A staggering 54% of executives struggle to align their company's strategy with their innovation efforts. As a result, 72% are not outinnovating their competitors (PwC). Innovation for growth, competitive advantage, or value creation cannot stand alone as strategies (HBR, 2015).

The challenge for innovation managers is formidable: synthesizing these efforts into a profitable innovation portfolio that aligns with the corporate organization's core goals.

Success starts with a robust innovation strategy that's in sync with your business strategy. But here's the twist: it shouldn't just be on the shoulders of innovation managers. Executives play a crucial role in deciding, communicating, and building the systems to execute this strategy. You are in for a ride! But no need to panic, I'll assist you.

I will outline 12 steps to help you craft an effective innovation strategy, paving the way for your company's future success (Settle in for a bit of a longer read – remember, the best things often unfold with time.)



STEP 1:

**FORM A VISION,
YOUR GUIDING STAR
OF INNOVATION.**

Alice

Would you tell me, please, which way I ought to go from here?

Cheshire Cat

That depends a good deal on where you want to get to.

Alice

I don't much care where—

Cheshire Cat

Then it doesn't matter which way you go.

It's cheesy, but it's so true. If you don't care where you are going, why would you move at all?

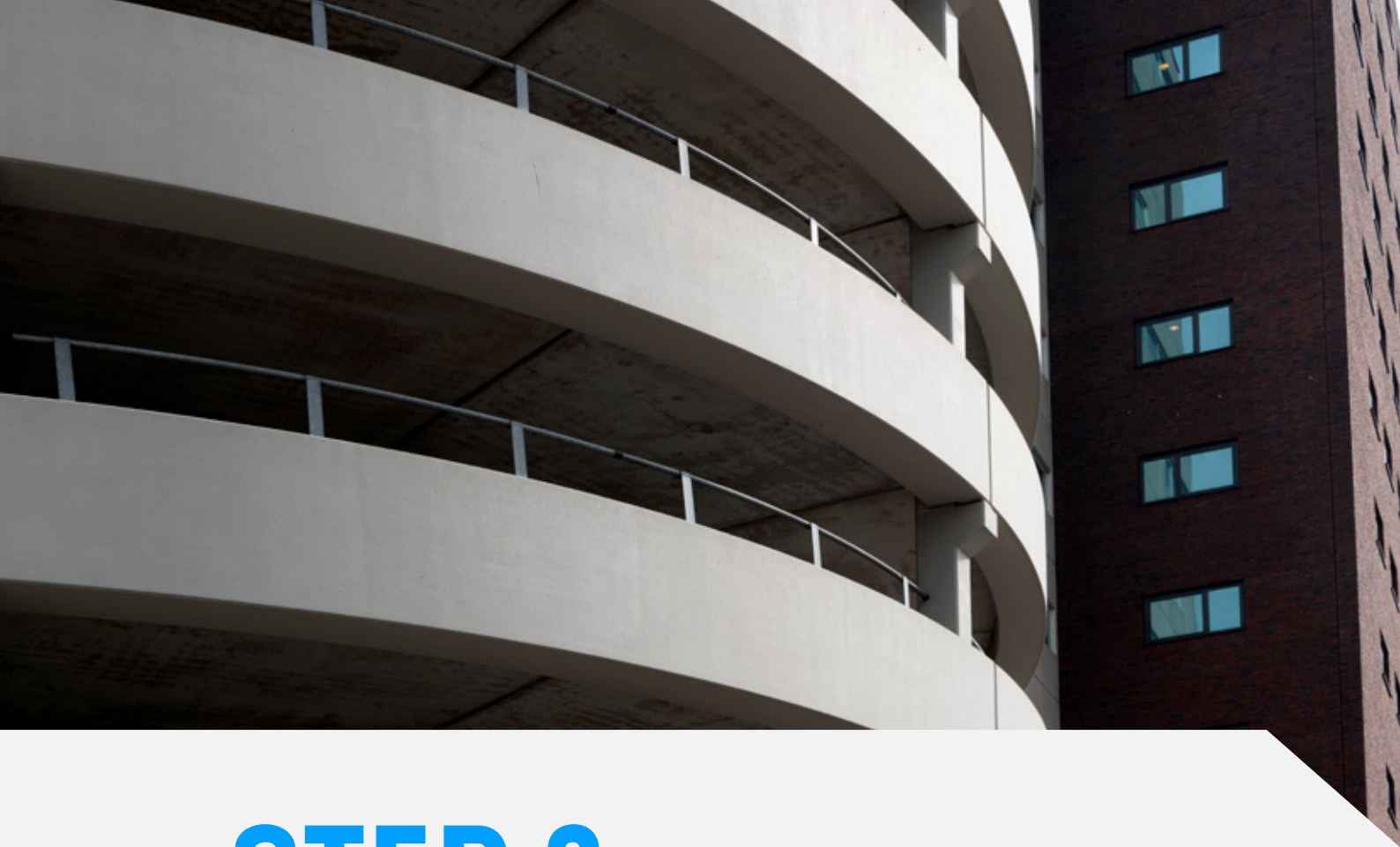
Think of a vision as your guiding star – a distant, almost unattainable goal that addresses a significant problem. While companies evolve rapidly, a consistent vision provides a stable direction.

Beware of a vision that shifts too often. Adapting to every new trend or technology can derail your innovation process. Consistency is crucial. Frequent changes in focus can confuse your organization, shareholders, and customers about your company's direction.

Innovation is a game of building domain dominance and expertise, layering one learning upon another. A clear, unwavering vision is essential. It's the bedrock on which successful innovation stands. Without it, you risk the success of your entire portfolio by changing course too often.

As a leader, it's vital to establish a grand vision that steers your innovations towards making a positive impact. This vision, instead of being agile, should embody the ultimate purpose of your organization. It's will be the lens through which every new idea is evaluated, guiding both investment and divestment decisions.

Focus is crucial. Understanding which ideas align with your vision is key to determining their worth. Start by forming a clear, compelling vision. This will be your first step towards achieving laser-sharp focus in your innovation journey. Let your vision lead the way to a brighter, more innovative future.



STEP 2:

**ASSES THE CURRENT
SITUATION OF YOUR
ORGANISATION
BEYOND TRENDS
AND HYPES.**

Chasing every new technology trend or the latest business model can be a trap. This approach often leads to a scattered, unprofitable innovation portfolio. Remember, technologies and business models are tools to solve problems and deliver value, not ends in themselves.

Focusing excessively on these aspects can lead you astray, causing your organization to pursue misguided ideas and waste valuable resources. Instead, start with a clear understanding of where your company stands right now:

- **Examine your current ecosystem.** What's happening in the environment you operate in?
- **Identify emerging technologies.** Are any poised to disrupt your core business?
- **Analyze evolving business models.** How are they transforming your market?
- **Evaluate your value proposition.** Does your company still meet customer needs effectively?
- **Assess your product portfolio.** Is it still viable and profitable in the current market?

Understanding your company's current position and environment is crucial. Pay attention to internal projects, teams, and trends that could impact your business.

Equally important is an awareness of external factors. Stay informed about potential threats from new business models or opportunities presented by emerging technologies.

A comprehensive understanding of your current situation, including strengths and weaknesses, is vital. This insight will guide your innovation efforts, ensuring they add real value to your company. Let's focus on strategic innovation that truly makes a difference!





STEP 3:

**CHOOSE YOUR
PLAYING STYLE;
TO TRANSFORM
OR TO PROTECT?**

Your executive might have emphasized innovation as the key to outpacing the market. But let's pause and ask: What exactly is our objective?

Are we aiming to shield our current product line, or are we seeking to expand and grow our company? Once you've deeply analyzed your company's present state, it's time to choose your innovation path: transformative change or protective growth.

Facing Numerous External Threats?

This calls for a transformative strategy. It's about diversifying your portfolio to not only explore but also create new markets, all while maintaining your current product lineup. The end goal? To reinvent your business entirely. Take Apple in the late '90s as a classic example. Steve Jobs recognized the need for transformation. The result? The groundbreaking iPod and iTunes – a fusion of new technologies and business models that reshaped Apple.

Experiencing Strong Growth?

If your company is on an upward trajectory, your strategy might lean towards capitalizing on your market's potential. In this case, a protective strategy is key. It involves enhancing your core business and penetrating adjacent markets with your existing products.

Consider Coca-Cola's early expansion into Europe and Asia, eventually dominating the global market. Or Microsoft's initial focus on evolving and broadening Windows 95 and 98. Interestingly, Microsoft has recently shifted from a protective to a transformative strategy by venturing into AI.

Without a clear choice between these strategies, you risk becoming a chameleon, juggling too many initiatives without a clear focus. This lack of direction can impede both focus and profitability in your innovation efforts. Choose wisely and set a clear course for your innovation journey!





STEP 4:

**DIVERSIFYING
YOUR INNOVATION
PORTFOLIO IS A KEY TO
LONG-TERM SUCCESS.**

In the financial world, betting on one horse is a no-go. The adage “don’t put all your eggs in one basket” is a guiding principle. The same holds true in the realm of innovation. Relying on a single project is a risky endeavor that often leads to failure.

Consider this: companies that pour all their resources into a few projects face immense pressure for success. Yet, the stark reality is that, according to Capgemini in 2015, a staggering 80-90% of innovation efforts fall short of their objectives. That’s an alarmingly high failure rate!

Why do so many innovation projects fail? Often, it’s due to a lack of clear focus. Some ambitions are too futuristic, while others don’t aim high enough, focusing on minor tweaks rather than impactful changes. Plus, frankly, there are a bazillion unpredictable factors beyond your control.

The solution? Diversify your innovation efforts. It’s not about betting everything on one big project but spreading your risks across multiple initiatives. Diversification isn’t just a safety net; it’s a strategic approach to ensure long-term revenue and sustainability in your innovation portfolio.

So, instead of chasing one massive win, aim for a balanced and varied set of innovation projects. This approach increases your chances of success and helps build a resilient and robust innovation strategy. Let’s embrace diversification for a more secure and prosperous innovation future!





STEP 5:

**DETERMINE THE
STRATEGIC APPROACH
TO YOUR INNOVATION
AMBITIONS.**

Innovation isn't a one-size-fits-all game. It ranges from small product tweaks to groundbreaking changes that redefine markets. Nagji and Tuff's (2012) model gives us a framework to navigate this diverse landscape.

The model has two axes: "Where to Play" and "How to Win." Based on your company's current situation and strategy, you should distribute your efforts across three key areas:



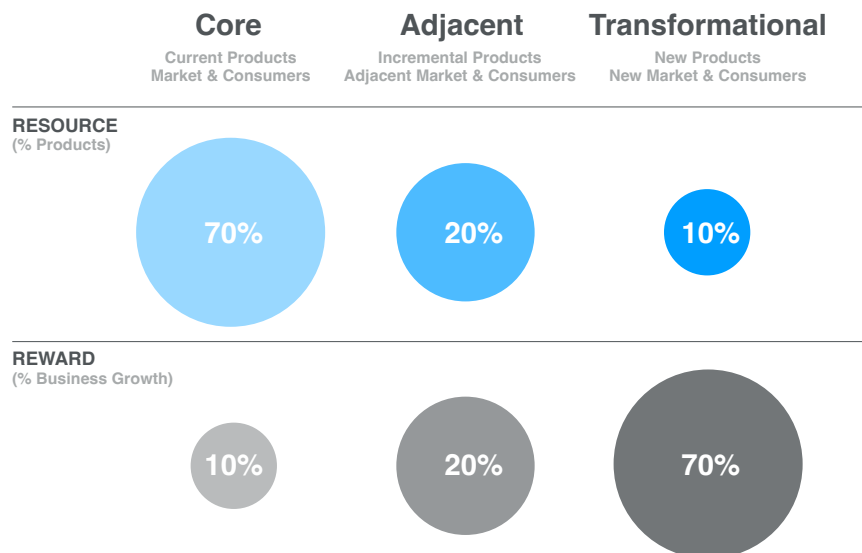
Core Innovations: These are your bread and butter. You're tweaking and upgrading your existing products for your current customers. Think new versions, added features, all while leveraging your existing assets. This is where you maintain and protect your existing market.

Adjacent Innovations: Here, you're stepping into new markets using your existing products and strengths. It's about expanding your customer base and exploring new territories. For instance, evolving a one-time fee product into a subscription model, or targeting a new market segment with a low-cost version (think Renault's approach with Dacia).

Transformational Innovations: This is the big bet. These are your moonshots that, if successful, can yield massive returns. They're about creating entirely new markets and divisions. Companies like IBM with quantum computing, Microsoft with OpenAI, and Meta's leap into the Metaverse are classic examples. High risk, but potentially high reward.



So, what does the return landscape look like?



Core Innovations: Usually 70% of your efforts fall here, accounting for about 10% of your returns. They're quicker wins, keeping you competitive in your core market.

Adjacent Innovations: Roughly 20% of your resources go here, potentially bringing back 30% of returns. It's about customer and market diversification.

Transformational Innovations: These risky ventures take about 10% of resources but can contribute to a whopping 70% of returns if they hit the mark.

Your innovation strategy should mirror your playstyle. If you're about protection, focus on core and adjacent innovations. If transformation is your game, balance your efforts between adjacent and transformational innovations, while not neglecting core improvements.

Getting this balance right is crucial for a successful innovation strategy. It's not just about innovating; it's about innovating smartly and in a way that aligns with your company's goals and strengths. Let's innovate strategically and bring those results home!



STEP 6:

**CREATE ECOSYSTEM
MAPS FOR A PROBLEM
ORIENTED APPROACH.**

We're on an exciting journey, but hold tight, there's more ground to cover.

Stepping out of the comfort zone of the 'ivory tower' and into a problem-oriented mindset is key. This isn't about seeing the world through a lens of problems, but rather about understanding the challenges and needs in the domain you're eyeing. These challenges are the fertile ground from which innovative products or services can grow. And yes, we'll delve into how to test these innovations effectively in your system soon!

Start by identifying the domains you wish to explore. Once you've got your targets, it's time to create ecosystem maps for each. These maps are more than just diagrams; they're a visual exploration of the terrain.

They reveal the current players, their interrelations, and, importantly, the major challenges they're grappling with.

This mapping process is illuminating. It helps you identify dominant forces and, crucially, uncovers potential opportunities. You'll start to see where you can make a real impact.

Think of it as charting a course through unexplored territory. By understanding the landscape and its challenges, you're better equipped to innovate effectively and meaningfully.



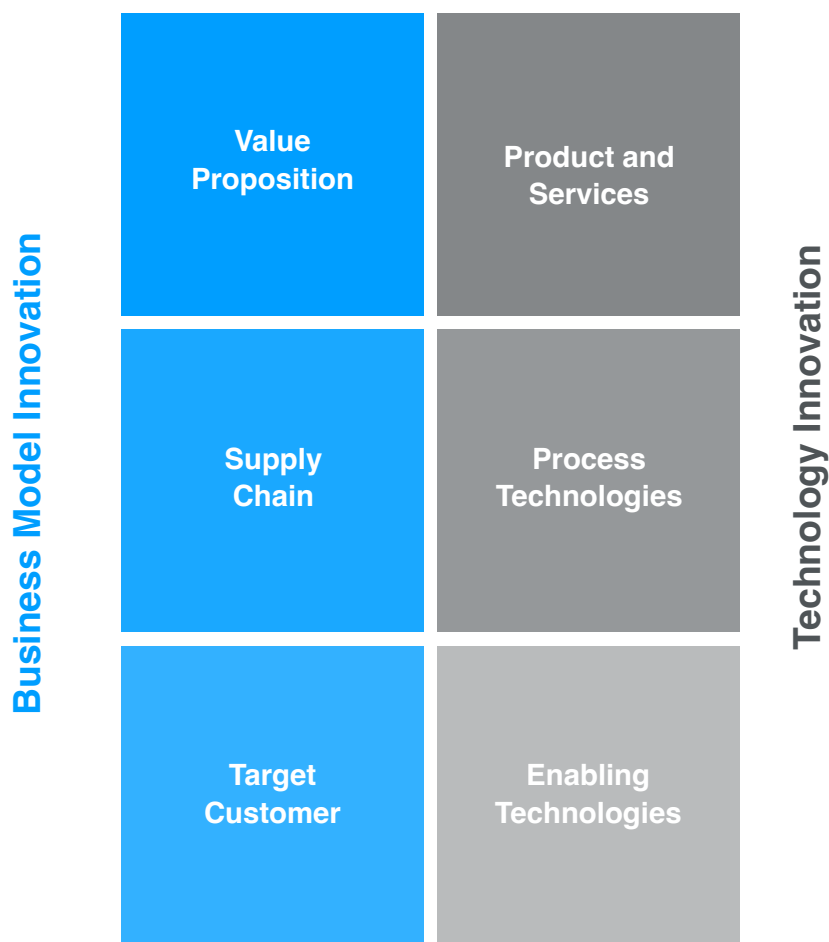


STEP 7:

**FIGURE OUT YOUR ROLE
IN THE ECOSYSTEM.**

With a solid grasp of the ecosystem, it's time to delve deeper and explore the six levers of innovation. These levers, as identified by Davilio et al. (2015), are split into two main categories: business model changes and technological changes. Understanding these can significantly enhance your innovation strategy.

The six levers of innovation



Business model innovations revamp how a company creates and delivers value to its customers.

Business Model Innovations: Transforming Value Creation

This involves three key areas:

- **Value Proposition:** Refining or redefining the solution or experience do you promise or sell to the market.
- **Supply Chain:** Innovating how value is created and delivered.
- **Target Customer:** Identifying and understanding your customer base and their the evolving needs.

Technological Innovations: The Engine of Change

On the flip side, technological innovations include:

- **Product and Service Offerings:** Introducing new or improved products and services.
- **Process Technologies:** Enhancing technologies that enable better, faster or cheaper production or service delivery (like Intel's advancements in computer processors).
- **Performance Technologies:** Tools that empower users to perform a task or improve performance (such as automated management dashboards).

The most groundbreaking innovations often merge both business model and technological changes. Take Apple's iPod and iTunes for example. The iPod revolutionized music storage and portability, while iTunes transformed how music is purchased and distributed, even evolving further with the App Store.

Understanding where you fit within these innovation levers is crucial. It guides you in forming the right partnerships, seeking new ideas, and most importantly, learning from each step – be it a failure, an exploration, or a success.

This iterative process accelerates your journey towards breakthrough innovations and making a substantial impact.

Exciting, isn't it? Harness these levers to navigate the innovation ecosystem and make a real difference!





STEP 8:

**CREATE GUIDING
PRINCIPLES FOR
INNOVATION WITH
CLARITY AND FOCUS.**

Deciding your destination in the innovation journey might seem straightforward, but aligning your company, teams, and personal goals with this strategy? That's where the real challenge lies.

As an innovation manager, you're likely bombarded with suggestions and requests that might sound familiar:



An old friend is working on an incredible initiative; let's give it a shot!



I heard this amazing podcast about a new sector. We should be there!



I'm fascinated by this product. Can we explore its technology for our project?



This company seems promising. Though there's no solid evidence, I feel we should acquire it.

Sound familiar? These emotional inputs, while well-intentioned, can derail you from your core strategy if you're not careful.

Here's a more effective approach: Establish "Guiding Principles."

Think of Guiding Principles as your innovation compass. They help you make logical, well-aligned decisions on which projects to pursue, continue, or halt.

These principles are tailored to your unique style, risk tolerance, and goals within the innovation ecosystem. They should be clear, concise, and actionable, forming the backbone of your decision-making process.

To bring these principles to life, integrate them into a digital balanced scoring system. This tool quickly evaluates if new innovation ideas are in harmony with your overarching strategy.

By adopting this structured approach, you can sift through the noise, focus on what truly aligns with your vision, and steer your innovation efforts in the right direction.





STEP 9:

**ORCHESTRATE YOUR
INNOVATION SYSTEM
FOR SUSTAINABLE
SUCCESS.**

Innovation is more than just participating in programs, hackathons, or collaborations with universities. While these activities are valuable, they alone don't ensure the sustainable growth of your innovation portfolio. The key lies in having a clear end goal and focusing on building a profitable portfolio. This involves understanding the nuances of innovation strategies, systems, and individual actions.

Innovation Strategy: Your Roadmap to Success

Think of your innovation strategy as a roadmap. It outlines your destination and provides guiding principles to steer your journey. But to bring this vision to life, you need robust structures, methodologies, and systems. These elements are crucial for orchestrating your innovation efforts effectively.

Innovation System: The Engine of Your Innovation Vehicle

The innovation system is the mechanism through which you scout, filter, validate, invest in, and nurture your concepts. It's about creating a disciplined, measurable process to differentiate great ideas from the rest. This system includes key performance indicators (KPIs), best practices, playbooks, and expected outcomes for each phase of your innovation journey.

With a well-defined innovation system, you can:

- Track the progress of all projects.
- Understand resource needs at different stages.
- Manage individual actions to align with the larger goal.
- Decide when to scale up or wind down projects.
- Simplify reporting to stakeholders.

This structured approach ensures your innovation activities translate into a portfolio that truly adds value in your targeted ecosystem. It's about having a clear plan, the right system, and the discipline to follow through.

Embrace this comprehensive framework to not just innovate but innovate with purpose and direction. Let's transform your innovative ideas into tangible, profitable outcomes!





STEP 10:

BUDGET YOUR INNOVATION SYSTEM AND BRIDGE FINANCE AND INNOVATION.

First, let's address a common challenge: the friction between finance and innovation. This tension often arises from the uncertainty of investment needs in the early stages of innovation.

In the beginning, it's hard to pinpoint exactly how much funding a project will require. Investment needs tend to evolve over time. But instead of viewing innovation purely as a high-risk and chance-taking venture, there's a practical approach: setting fixed budgets for the initial phases.

We've seen significant success by allocating specific budgets for the early steps. This strategy provides clarity for both you and your stakeholders. It allows you to test ideas with "small bets," assessing their commercial potential without overwhelming financial commitments.

This 10th step is crucial. By defining budgets for the exploration phase, you can experiment responsibly. This not only helps in understanding the potential of your projects but also maintains a good relationship with your finance department.

Once you've established these initial budgets, it's time to define a clear governance structure for additional funding. This step ensures that if more investment is needed, there's a transparent and agreed-upon process to follow.

By balancing innovation needs with financial prudence, you create a sustainable path for exploring new ideas. This approach leads to more structured, accountable innovation efforts, keeping everyone on the same page and moving forward together.





STEP 11:

**CREATE A
COMMON LANGUAGE
AND BENEFIT
FROM ITS POWER.**

The second to last and crucial step to ensuring your success in innovation management is establishing a common language. This might sound simple, but it's often the linchpin in aligning understanding and expectations across your organization.

You might have experienced scenarios where managers misunderstand what 'earlystage' means, expecting financial results too soon, while you're still exploring market opportunities. Or perhaps CTOs who interpret 'validation' differently, focusing on technical aspects rather than commercial viability.

These kinds of miscommunications can accumulate, leading to a blurred understanding of what innovation really means for your company. As an innovation manager, this often translates into complicated stakeholder management and unnecessary debates, as everyone has their own take on the progress of the innovation portfolio.

This shared language is vital for mutual understanding, bridging gaps between strategy and execution in innovation. Without it, discussions can become vague and challenging.

Your innovation strategy, guiding principles, and innovation system should all contribute to this common language. They collectively define and articulate your company's innovation ambitions, helping to align your teams and stakeholders.

Consider using video as a tool to bring this language to life. A well-crafted video can vividly explain the nuances of your innovation approach, ensuring everyone from executives to team members is on the same page.

Embracing this shared language in innovation paves the way for clearer communication, streamlined processes, and a unified direction.





STEP 12:

**SECURING EXECUTIVE
BUY-IN AND GETTING
THE “GREEN LIGHT”.**

It's time for the crucial step: presenting your complete strategy, guiding principles, and innovation system to the executives for their final approval.

Throughout this journey, it's vital that your executives have been part of the process in some capacity. They shouldn't encounter any surprises in your final presentation. Involving them early and often not only fosters a sense of ownership but also reduces the risk of major revisions or, worse, starting over.

Remember, executives are responsible for the future of the company. A good innovation strategy and Innovation system will help them to create a bright future for the company.

Period.

Experience teaches us that delving into minutiae isn't always necessary in these highlevel meetings. Instead, prepare a polished and concise pitch deck that outlines your vision for the coming years. This presentation should highlight the major points and leave room for further discussions if they seek more detailed insights.

If they're curious about specific aspects, you can always arrange separate meetings to dive deeper. The primary objective of this presentation is to showcase a wellstructured and clear process – something you've meticulously developed over these 12 steps.

By doing this, you're not just proposing a plan; you're providing a clear, actionable roadmap for innovation. This approach ensures that your executives are not just informed but are active participants in shaping the company's innovative future.

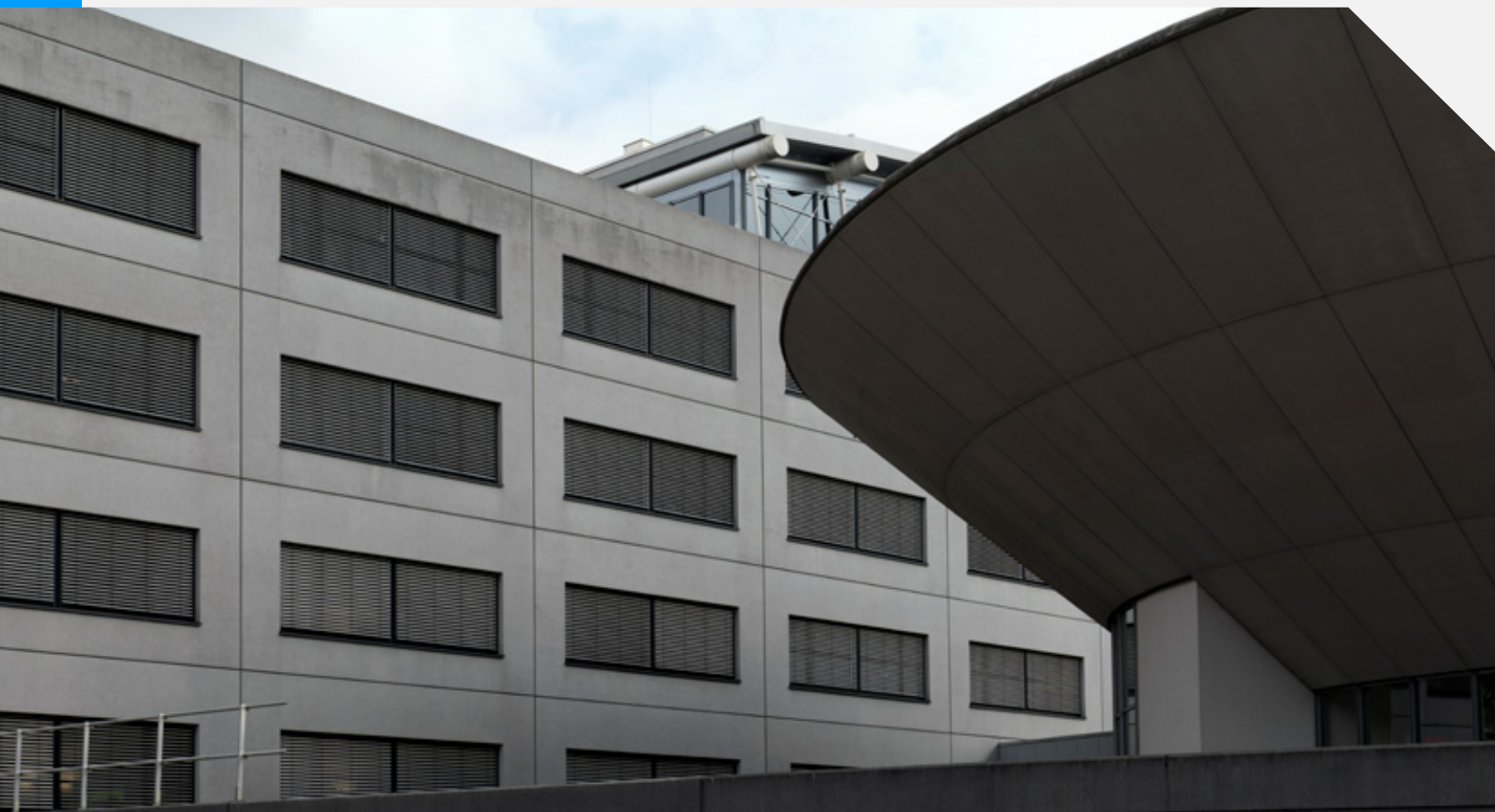
Here's to making your innovation strategy a reality and driving the company towards a brighter, more innovative future. You've got this!



What you need to do is:

- **Step 1:** Form a vision, your guiding star of innovation.
- **Step 2:** Assess the current situation of your organisation beyond trends and hypes.
- **Step 3:** Choose your playing style; to transform or to protect?
- **Step 4:** Diversifying our innovation portfolio is a key to long-term success.
- **Step 5:** Determine the strategic approach to your innovation ambitions.
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- **Step 12:** Securing executive buy-in and getting the “green light”.

It's a longer read, but good things take time.





Author:

Maarten van Kroonenburg

Founder of BW Ventures

**Don't create unicorns,
Let's breed blue whales.**



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