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innovation and the enterprise:

why great ideas fail to scale?

intro.

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this report details a particular innovation use case, insight into the reasons why the ideas struggle to scale, and practical suggestions for those looking to embark on, or improve innovation in the enterprise.

Much time has been dedicated to the challenges and approach of scaling start-ups into successful large organisations. Mike Southon's excellent book 'The Beermat Entrepreneur' uses the analogy of businesses starting life as seedlings, growing into saplings and then maturing into mighty oaks, describing the pain points along the way.

However, as businesses grow and celebrate success, they often leave behind the innovation and agility that inspired their growth in the first place. Those seasoned mighty oaks, in recent years, have been exploring how to create that start-up culture from within. Many firms have invested in incubators and accelerators, using consultancies to create new business units to cater for this wave of opportunity.

The retail industry is a great example of this. The current bloodbath on the high street is not a surprise in the boardrooms. Like a slow-motion car crash, the rise of Amazon and the paradigm shift in consumer
behaviour was foreseen over the last decade. The organisations with sufficient foresight and leadership have duly invested in ecommerce and sought innovation through incubators and accelerators. Parallel organisations have been set up, unshackled from the orthodoxy and politics of the mighty oak.

Whilst those approaches have not failed to produce brilliant ideas, and in some cases, successful new ventures, there is an inherent challenge in bringing that conceived innovation back into the mainstream.
Grafting the sapling back into the oak, to extend Southon's analogy, has been overlooked, yet is crucial to achieve the original intent.

While digital transformation and operational agility have clearly become the key to future-proofing businesses of any substantial size, too often great ideas fail to scale, ending prematurely and missing the potential value they had to deliver to the organisation.

the 3D printed sofa.

A well-known high street department store had an established proposition. Customers wanting a new sofa could choose one of many designs, with a large range of fabric swatches to create their own tailored furniture. The innovation team came up with a fantastic idea to help increase sales. Rather than picking the shape of the sofa from cards, 3D printed models were created, each with an embedded RFID tag. Customers could then pick the shape and the fabric swatch, place them on a 'smart table' and then, having detected the shape and fabric, a screen would display a mock-up of what their sofa would look like, with the image changing as they changed fabric swatches.

The idea was piloted in the company's flagship store. It was a real piece of retail theatre, proving a success with customers, and there was demonstrated increase in sales. With 40 more stores across the estate, and a demonstrated business case, surely this was a no-brainer to roll out?

you would be forgiven for assuming this great innovation would be scaled into each of the company's department stores. However, beyond the initial pilots, and some good press coverage, this idea did not scale, and a year later it was mothballed. Despite demonstrating value, it did not get past the pilot stage.

The reasons that this particular example failed to scale are complex. In hindsight, some of these reasons were unpicked.

Having looked wider afield, this is not an isolated event. Many great ideas borne out of innovation labs, incubators and accelerators struggle to scale and retailers and customers miss out on the potential value. Why is this the case?

why innovation fails.

1 the cost of scaling.

Moving from MVP, proof of concept or pilot to a scaled rollout, supported in BAU is not trivial. Building scalable, maintainable products – whether physical or software is disproportionately expensive to the initial MVP and require significant investment. Where this investment is not available, ideas can stall.

Large organisations generally apply cost accounting with an annual budgeting cycle and trickle-down allocation. Their portfolio of potential projects is defined well in advance.

To scale a new idea requires some of this funding, but if it has not been planned and ringfenced, there is an immediate challenge. Given the nature of innovation, exactly what will be developed, and where that cost will lie is not known with sufficient notice to be budgeted, leading to ideas being shelved 'until next year'…

2 organisational structure.

The structure of an organisation plays a significant role in what it focuses on and how it builds products. For software, this is captured in Conway's Law – system architecture will often mirror the organisation's structure. Communication across organisational boundaries are generally more difficult, and teams can become siloed.

It is for all of these reasons that the innovation labs and incubators exist – removing perceived boundaries and enabling fresh thinking. However, it is for all of these reasons that the ideas then fail to scale, as those same departments and teams are essential to the success of the idea in the long term.

Where new innovations cut across multiple teams, who 'owns' the idea? Where the cost of a rollout would hit multiple budget lines for different departments, who 'pays' for this?

3 tissue rejection.

Any new initiative needs a sponsor. Someone to own it, champion it and drive it through to success. These same sponsors will have their own plans and agendas. Ideas and projects that are already in-flight take priority. The 'sunk cost fallacy' perpetuates existing initiatives and multi-year programmes, consuming scarce resources.

Ultimately where there has not been sufficient engagement there is a risk of a 'not made here' syndrome, and an absent or lukewarm sponsor. When combined with the first two challenges, this cuts off the remaining oxygen for the new idea and the flame of innovation is extinguished. Or rather, the innovation team moves on (or has already moved on) to the next idea.

ideas for success.

1 stakeholder engagement.

Working back to front from the challenges laid out above, early, and ensuring continued stakeholder engagement is key to unlocking the potential value of innovation. The most successful innovation teams have people dedicated to internal communication, recognising that communication and change management are often the biggest challenges, and areas of opportunity for maximising the value of innovation.

Engagement at the highest level is often the easier to execute, with innovation labs (etc.) the brainchild of senior executives. Ensuring that the budget holders at the next level down are engaged is almost more important and should form part of a well planned and executed communication strategy.

2 organisational design.

Where new products and ideas often cut across multiple departments, consideration should be given to the organisational structure. Re-imagining the structure away from traditional silos of work, towards customer experience and a product-based lens gives the business a head start in cultivating and maintaining innovation.

Ultimately this requires a significant organisational transformation. Encouragingly, many companies are embracing the opportunity, undergoing digital transformations that will help enable a product based approach.

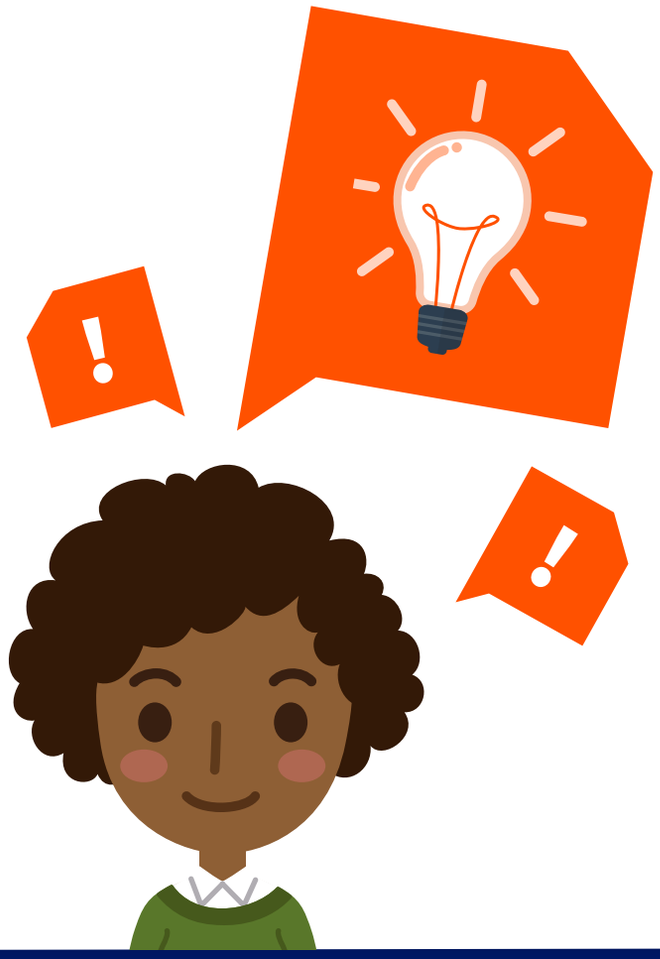
3 beyond budgeting.

Addressing the flow of money into innovation is key. In the short term, ringfenced, top down allocation of budget to scale innovation. Recognising the cost of scaling innovation, funding being available, with lean governance applied to prioritise and allocate would help enable the potential value.

On a longer term basis, organisations should review and consider the 12 Beyond Budgeting principles as part of their digital transformation.

summary.

If an organisation's drive to innovate is to truly deliver value, then how to scale that innovation requires careful consideration. Grafting the sapling back onto the oak is not easy. The reasons that organisations take different approaches to innovation are inherently the reasons that scaling is challenging. But failing to scale misses the potential value that could be realised from the many brilliant innovations.



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