Roundtable Meeting Take-Aways

TURNING INNOVATION INTO A POWERFUL BUSINESS STRATEGY: Overcoming the Obstacles to Innovation *(continued)*

This meeting, held at DRS Corporate Headquarters in Parsippany, NJ, continued to explore methods and practices for surmounting the numerous barriers to innovation. Facilitators were Lem Tarshis of Stevens, Ron Eilertson of Teknor Apex, and Jason Brito of ISO. This was the fourth in a series of Roundtable meetings aimed at unlayering the broad subject of innovation.

Lem Tarshis began by summarizing the learnings of the past three meetings. In particular, Lem enumerated some of the common barriers to innovation and some of the so–far identified concepts for overcoming these obstacles, employing some the materials presented at the last session by Larry Gastwirt (see Takeaways for 7/12/05 and the summary table on the next page).

What was clear from the ensuing discussion was that most people present recognized the obstacles from their own organizations and were able to relate to attempted solutions. One of the conclusions of this discussion was the need for organizations to properly define innovation and communicate expectations to all employees.

The next facilitator was Ron Eilertson of Teknor Apex, who continued his presentation from the prior meeting (presentation slides available from the Alliance office). Utilizing the HSATM Innovation model and associated audit, Teknor Apex identified their top obstacles to innovation as:

- Insufficient good ideas in the hopper
- Inadequate focus on marketing
- Overly complex product development process

- Overabundance of projects for available resources
- Too few business goals for new product development

Ron further reviewed what Teknor Apex has been doing to address these shortfalls. To get more ideas, they have begun using Quality Function Deployment (QFD) methods while getting a better view of what customers really desire. Ron was asked whether Teknor Apex was sure they were looking in the right places, and Ron responded with his belief that the answer may be no because of the second obstacle, namely a shortage of marketing talent focused on innovation. They are working on improving this situation by hiring marketing personnel, transferring responsibility for new product development to marketing, and strengthening use of their Stage-Gate Process, including the evaluation and feedback of new product ideas.

Roy Nicolosi next began the discussion of ISO's recently enacted innovation program by describing ISO for the group. ISO is a provider of data, analytical and decision support products, serving customers in and outside the insurance industry. The company became for-profit in 1996. The compa-

ny is very profitable and growing nicely. Today there are still many long-term employees and so they still have a culture of doing things the "old way." There are more than 500 employees in the IT function, with an average tenure of over 9 years. They have experimented with Critical Chain and Quality Function Deployment and have introduced a modern Stage-Gate process. They also have commercialized or cleaned out a huge inventory of product and process ideas that had long been in the hopper but had not been pursued vigorously. ISO came to the realization earlier this year that there was far too little organic growth for the future, and put a team in place to analyze the obstacles and come up with recommendations.

With this background, Jason Brito described ISO efforts to date to improve the quantity and quality of innovation (PowerPoint presentation available from the Alliance office). ISO uses the same definition of innovation that came out of the first 2005 Roundtable, namely the creation of value through the implementation of new ideas. They break innovation into two broad areas, the front–end conception and refinement of new value–adding ideas, and the advancement of these ideas from concept to utilization – i.e. implementation. They consider themselves pretty good in the implementation area, although incremental improvements can be made to their processes. On the other hand, the team found potential for huge improvement in the front end.

The team identified several general barriers at ISO:

- Already have strong financial performance (so why change?)
- Historical drag from formerly being a not-for-profit
- Different Strategic Business Units traditionally not inclined to work with one another
- No dedicated resources for innovation – ideas have no home
- Inadequate freedom to do innovation-related work

In addition, they identified a number of specific actionable obstacles to innovation at ISO:
- Not enough individuals purposefully searching for and defining opportunities
- The idea-capturing process at ISO has fallen into disuse and needs renovation
- Job rotation is not being purposefully used as a means of fostering innovation
- Insufficient training in support of innovation
- The reward system could be used more effectively to support innovation

To help overcome these obstacles the team developed the following recommendations to management:
- Dedicate individuals to innovation
- Renovate and re–introduce process for idea capture
- Train in innovative methodologies
- Screen new hires for innovation potential
- Formally rotate jobs
- Enhance and leverage their new product development process
- Create incentive programs

ISO is now taking the following steps to refine/advance the recommendations:
- Better determine ISO's current innovative status by conducting Alliance Innovation Audit and researching origins of recent new products
- Refine recommendations based on findings and begin implementation
- Publicize initiative among employees (and update status periodically)
- Develop and deliver grassroots education for all employees on the basics of innovation.
- Align with other initiatives to create a stronger drive toward an innovative culture

Many of the Roundtable attendees suggested looking at the rewards and recognition system to convince employees of the seriousness of the initiative. ISO also was encouraged to use cross–business innovation teams (DRS reported they are doing that at their corporate headquarters). ∎

Common Barriers to Innovation	Mechanisms to Overcome Barriers
Organizational history/legacy	Be cognizant of the impact that the legacy is having, and adopt practices to reinforce those aspects that work to stimulate innovation and counter the aspects that work against it
Innovation strategy unclear (or absent)	Adopt and effectively communicate a clear innovation strategy • Establish innovation guidelines and goals: business areas, quantitative screening criteria, etc. • Establish resource guidelines

Poor culture for innovation
- Deficiency in "Inquisitive," "Advocative," "Collaborative" and "Goal–Directed" behaviors (HSATM Innovation Model)
	• Instill innovation "norms," e.g.:
	  - Innovation is lifeblood of business and everyone's job
	  - Ideas can come from anywhere
	  - There are no "bad" ideas
	• Apply practices associated with highly innovative organizations by HSATM Innovation Study

Unclear idea collection process - Where do new ideas "go"? - Who assesses? - What are assessment criteria? - What is nature of feedback to originators?	Install or renovate formal idea collection process - and use it!
Slow/arbitrary feedback to idea generators	Incorporate feedback norms into formal idea process
Insufficient knowledge of technology and market trends	Maintain market/technical knowledge function

Fragmented/Inadequate resources – Especially for large opportunities	• Commit resources
	• Especially resources aimed at enhancing market/trend knowledge and developing preliminary business cases
	  - Applies especially to lower risk activities
	  - "Opportunity Attack Teams" (after Koen) to rapidly develop actionable plans for large opportunities
	  - Preponderance of resources full time

Too slow to stop support of less–promising opportunities	Develop specific screening criteria and apply prioritization process to kill poorer projects
Over–tweaking before customer testing - Especially for radically new products and platforms	Quick trials, refinements, and re-iterations ("Lickety-split" improvisation, per Lynn and Reilly)
General	• Employ systematic, quality, product development process • Define more detailed business cases, reflecting risk appropriately