Enterprise Innovation: A Practical Approach

Are We Building the Right Product
Introduction

The list of major corporations crushed by tech startups is staggering.

No one wants to become the next Blockbuster — failing to grasp the power of Netflix’s new online entertainment model — or Kodak, which refused to pursue digital cameras because executives feared the implications for film sales.

Large enterprises tend to prioritize the current business model over innovation. Then, when a startup competitor emerges from the garage and disrupts the market, executives fail to see it coming. Despite many cautionary tales, big corporations continue to fall into this trap.

At TheoremOne, we help organizations see what’s possible rather than what’s worked in the past. We created this paper to provide a practical approach for enterprises to innovate and stay competitive — discovering groundbreaking opportunities at the speed of a startup.
What are the stumbling blocks of enterprise innovation?

The reasons why corporations tend to shy away from big ideas are often understandable. With any new venture comes risk — not to mention the required investment. But systematic issues also play a significant role in hindering innovation. These are some of the most prevalent blockers that keep companies operating in a state of status quo.

• Large investments made into the current business model drive a narrow focus on the existing operations.
• Executives assume that there is a significant barrier for new entrants to break into the market and overlook the threat of emerging startups.
• Enterprises have many legacy infrastructures. Making improvements to these platforms is very difficult because:
  • They developed the systems years ago, and the proper knowledge base and skills are no longer available to make the change.
  • Executives are afraid that any changes will break the overall process and affect business operations.
  • Many systems are outdated and are not compatible with newer technologies.
• Long-standing corporate processes and culture are mental blocks for innovation.
• Innovative people frustrated by stagnant operations often leave big enterprises to launch their own startups.
How to Convert Blocks into Stepping Stones

Establish Innovation Hubs
Leaders who wish to counteract obstacles and foster big ideas within their company need to put the right structures in place. The cultural shifts require a vision from the executive team that the entire organization can align around. To then make the vision a reality, we recommend two broad, practical steps for enterprise innovation.

Set up “garages,” or innovation hubs, separate from current business operations, so they are free to experiment and explore new ideas. The single focus is disruptive innovation and adopting emerging technology solutions to solve business problems. These labs can also be used as technology evaluation centers to pilot new products and technologies before making significant investments.

Make incremental improvements to existing business processes. You can achieve this through the employees who already support daily operations. These individuals leverage the innovation hubs to experiment and gradually enhance current systems.
How to Manage Enterprise Innovation

Cultivating new ideas takes time.

If you expect immediate results, your team will not be set up for success. Instead, once you establish the innovations hubs, ongoing management and executive support become critical. It is essential to prioritize and allocate funding, in addition to keeping fresh ideas flowing. The leadership team must advocate for the hubs to ensure they have the time and resources to produce impactful products — otherwise, you risk a floundering program that only gets you halfway to where you want to go.

A continuous flow of ideas starts with the right processes and tools. You can generate new concepts within large enterprises using:

- Workshops to brainstorm as a group
- A workflow tool to capture new ideas from employees
- A ticketing system analysis to find potential improvements
- A competitive analysis to identify relevant improvements to organizational operations
- The application of industry trends and technology advancements to solve business problems
After generating ideas, you need to store them in a central repository. The repository should follow a project portfolio management process to prioritize and approve new ideas (i.e., tickets).

Enterprises can either adapt their existing project portfolio management process for innovation approvals or customize and define a new one to fit their needs.

Ideas should flow through a funnel that filters them out based upon various criteria, such as fit to business strategy, the maturity of the technology adoption curve, the ability to implement, commercial viability, market potential, availability of funding, and the risk associated with implementation.
Typically, some incentive is provided at the funnel entrance to keep submissions coming in. Rewards are then given depending on the success of the idea.

Different stakeholders are involved in each stage of the evaluation. The company should set up an executive steering committee with a chief innovation officer (CIO) to prioritize and approve the ideas. You should classify approvals into several different buckets based on enterprise needs. Ideas can then progress through the following levels, using criteria from the steering committee assessment.

**Level 1: Research Paper**
This is the initial phase of idea development and requires minimal investment. Often, the output is a research publication in the form of a white paper. It analyzes the feasibility of the idea along with a comparison to competitive solutions and products on the market.

**Level 2: Lab Development**
At this phase, ideas are typically developed within a lab environment — isolated from the enterprise network. There are no interactions with current systems, thereby reducing the risk and effort in integrating with existing enterprise applications.

**Level 3: Integration to Enterprise Systems**
By this point, the idea is mature enough to develop a proof of concept. It can integrate with current applications in a development and test environment within the company. This helps validate that the concept can work in a real-world scenario with actual integration and using enterprise test data.
Level 4: Production Pilot

This is the most advanced stage and requires a much higher investment than other levels. It is also a higher risk approach, as it exposes the idea to a limited customer segment for feedback before a wider launch. The feedback gathered from real customers is often invaluable, but it does require a working prototype, and the organization must be prepared to accept the additional risks.
Keeping the Momentum in the Long Run

Innovation is not a short-term commitment.

If an enterprise wants to stay ahead of startup competition, it must continually work to cultivate and pursue new ideas. Current systems helped the organization achieve a great level of success, so hesitation to change or replace them is natural. But, technology moves too fast to stick with status quos operations. Companies that do not keep evolving risk disappearing — just like Blockbuster.

It is possible to keep moving ideas forward without a massive investment. Lightweight product management processes can help achieve levels three and four, as described above, before spending resources on a major overhaul.

Frequent progress updates and tracking dashboards will help the steering committee monitor innovation and make decisions about what to continue pursuing and what to halt. They will also keep everyone on the same page by providing clear, objective data. When indicators point to success, though, it is time to take the leap. Some investment is unavoidable to achieve innovation, and enterprises must increase their risk tolerance to out-pace startups.

By following the practical approaches outlined in this paper, companies can start their own innovation hubs and bring world-changing ideas to fruition.
TheoremOne Delivers Lasting Results

TheoremOne is a global innovation and engineering firm that builds custom software and enables companies to make bold bets and stay ahead. Through research, lean design, and agile delivery, we make great user experiences accessible to the enterprise.

Founded in 2007, TheoremOne’s cross-functional development teams drive technology, process, and cultural transformation.

Let’s talk. Contact us today.

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