WHY YOUR INNOVATION PROGRAM WILL FAIL

(or... how to build a high performance innovation culture)

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Exago is an innovation solutions company that helps organizations to engage their people to out-innovate the market using the power of collective intelligence. Exago leverages the knowledge, experience and insights of employees, partners and other key stakeholders to help companies manage risk and seize opportunities. Exago is smart, ingenious and results driven. We are guided by our mission to create value by amplifying human voice. This mission drives us to constantly imagine and develop better ways to engage people, increase organizational knowledge and harness collective wisdom. Our clients span a wide variety of industries (ranging from telecom operators and energy suppliers to major retailers and distribution companies) and geographies (Europe, North and South America, India and Russia). Founded in 2008, Exago is a private company with three international offices and a partnership network that serves our clients globally.

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How to build a high performance innovation culture?

An account from the frontline

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Introduction

Innovation is at the top of every organization's leadership agenda these days. A recent McKinsey Global Survey found that 84 percent of executives say innovation is extremely or very important to their companies' growth strategy. Businesses and organizations worldwide realize that without a differentiated business model, without differentiated products and services, without a differentiated cost structure they are doomed to compete in a red ocean where prices and margins swirl in only one direction – downward. To prevent this sinking spiral, new ideas and outside the box thinking are essential.

"For business leaders today innovation to fuel growth is not merely a consideration, it's an expectation."

Demystifying Innovation, PWC, 2011

Companies today understand the growth imperative, and they understand that innovation based upon their core businesses can be the source of tremendous opportunity. Forty-one percent of McKinsey Global Survey respondents are focusing on growth in their existing core businesses, while 32 percent are searching for growth opportunities directly adjacent to their current core businesses. More executives say their companies are seeking organic growth through new products or services (68 percent) or new customers (63 percent) in existing markets than are pursuing growth through new markets or M&A.

Many organizations have built robust innovation programs. But too many have simply ticked the innovation box by delegating it to untrained and under resourced managers. Building an innovation capability or establishing a culture of innovation requires more than just enthusiastic leadership and a corporate mandate. Becoming the company's innovation cheerleader can be feared as a personal and professional trap; the same CEO that is empowering you to get started could be the one shutting you down for not delivering on the promise of turning your company into the next Google.

"After a pause in 2009 that reflected companies' growing concerns about the economy, innovation is once again a top priority for most companies. A large majority of companies consider innovation a top strategic priority for 2010. Seventy-two percent of respondents said that their company considers it a top- three priority, versus 64 percent in 2009. This percentage matches the highest reading seen in the seven years we have been conducting the survey. Fully 84 percent of respondents said their company considers innovation an important or extremely important lever in its ability to reap the benefits of an economic recovery."

Senior Executive Innovation Survey, BCG, 2010

There are some things that are easy to embark upon. If you want to start jogging, you put on a pair of running shoes and hit the road. But you don't get to complete a marathon by casually jogging from time to time. The challenge is to realize significant and measurable results – the same is true of innovation. Getting started is easy, but real success can be an elusive goal.

While Exago's corporate history goes back only five years, its co-founders have been talking the talk and walking the walk of innovation for the past 15 years with diverse companies around the world. We know firsthand that whatever the country, and whatever the industry, the barriers to success are exactly the same. What follows is an account of our experiences on the frontlines of innovation.

Now, you must brace yourself for the bad news: most likely your innovation program will fail. Not because you are not capable, not because you don't have the mandate, but because you have likely overlooked some serious pre-requisites. Don't worry: we have good news too, so keep reading.

You are about to go through a list of seven (7) causes of failure. They are all impressively obvious and yet most initiatives seem to disregard them. You shouldn't be overwhelmed by them – and you definitely shouldn't wait until you resolve them all before you get started. Just make sure you're keeping them on your radar. We've also included twenty-two (22) tips on how to overcome these challenges and build a solid foundation for a long lasting and resilient innovation capability in your organization.

Inability to engage your people

So… you have your program in place. You have a brand, a logo, a mascot and you're filled with energy to make it happen. You have built it, but they are not coming. You have hit the most challenging wall in innovation programs: a lack of engagement. This lack of participation can exist right from the start or can develop after a number of months or quarters. People simply stop participating. Where has all the energy and enthusiasm for innovation gone? The answer is that the energy and the potential are there but you have failed to harness them. So how do you engage people and their enthusiasm? How do you increase the stickiness of your innovation efforts?

"Consider the recent "Global Workforce Survey" conducted by Towers Perrin, an HR consultancy… The survey covered many of the key factors that determine workplace engagement, including: the ability to participate in decision-making, the encouragement given for innovative thinking, the availability of skill-enhancing job assignments and the interest shown by senior executives in employee well-being. Here's what the researchers discovered: barely one-fifth (21%) of employees are truly engaged in their work, in the sense that they would "go the extra mile" for their employer. Nearly four out of ten (38%) are mostly or entirely disengaged, while the rest are in the tepid middle."

Gary Hamel, WSJ, "Management's Dirty Little Secret

Remember this: contributing to enterprise innovation efforts is both anyone and everyone's job. It's also an extra responsibility on top of someone's day job so you have to be nice to people if you want to get their attention and encourage them to participate. Here are seven quick but highly effective tips:

#1 A THOROUGH AND WITTY COMMUNICATION PLAN

When planning your program make sure you engage your internal communication people and any agencies with which you work. These are allies you want to keep close. Building a witty communication plan – one that lives and breathes innovation – is paramount. When putting it together make sure you have a complete plan with clearly defined targeted audiences, key messages, frequency expectations and a media strategy. Making the most out of existing media such as internal newsletters, intranet, and internal TV is obvious. Other non-conventional (to the organization) media should also be considered.

#2 REWARDS AND RECOGNITION: A.K.A. INCENTIVES

"What's in it for me?" is more than ever what your colleagues want to know. Organizations, business units and individuals are motivated by incentives. Not necessarily tangible rewards such as prizes but – most importantly in our experience – recognition. Being recognized, being acknowledged and visible inside the organization motivates people to contribute to innovation programs in every stage of the process – from Think to Create to Act.

"The majority of senior executives (that is, C-level executives and vice presidents) and decision makers (that is, directors and managers) are satisfied with the return on innovation spending. In sharp contrast, little more than a third of other employees—36 percent of respondents—are satisfied."

Senior Executive Innovation Survey, BCG, 2010

#3 CONSTANT FEEDBACK

Make sure you tell everyone what is going to happen, what is happening and what happened. The times when you could withhold information and expect everyone to continue to contribute diligently are long gone. There's nothing more annoying to an innovation contributor than to be kept in the dark after dedicating her or his time to an innovation workshop, or submitting an idea, or contributing time and energy to make a project succeed. An absence of

feedback disengages people dramatically; it must be fought through ongoing transparent communication.

#4 MAKE IT INCLUSIVE

Know your people and find ways to engage all of their different personality profiles: ideators, builders, screeners and implementers. No organization is alike. Yet every single organization we've worked with has a similar blend of different profiles and characters. You have some creative individuals we call ideators – the ones always ready to contribute with an insight or idea. You also have many more people ready to tell you why an idea won't work or why it would work better if you did X, Y, or Z. We call them builders (calling them bullies doesn't usually help). But you also have – in fewer amounts – the screeners (individuals with a talent for screening the best and worst ideas) and implementers (hands-on individuals always ready to push ideas from a post-it note to a real operating business).

Understanding the diversity within your organization is the first step. It needs to be followed by a plan that creates opportunities to engage different types of people in different moments. You want to get the most out of each and every individual. Why cause someone to feel frustrated for not being able to offer an idea when her talent lies in building upon the ideas of others? Make your innovation program inclusive so that all types of people have the opportunity to contribute according to their individual strengths.

#5 BALANCE YOUR ONLINE AND OFFLINE EFFORTS

Innovation can involve small incremental changes, disruptive paradigm shifts, and everything in between. These changes can impact upon the products and services you deliver, the processes you use, and the business models that define your work. Different opportunities can be found in different types of innovation including incremental process innovation, product innovation and business model innovation.

The right approach to innovation for your company really depends on the types of innovation outcomes you seek. The more disruptive your desired innovation outcomes, the more offline and "push-type" programs you need to implement. The more incremental your desired outcomes, the more inclusive and "pull-type" your programs should be.

We've examined a number of corporate innovation programs and observed that even when their primary goals were for disruptive innovation, the successful programs also always have in place a more pervasive, inclusive and engaging incremental program as part of their approach to innovation. These programs are most often supported by some software-based solution allowing every individual to personally contribute through the intranet, internet, and/or mobile devices. An online engagement solution - Exago's being the best, in our unbiased opinion of course – is the ideal way to engage a broader audience. And, it almost always leads to reaping the benefits of low hanging fruit.

A 2008 Gartner study predicted that two-thirds of Global 1000 companies would have formal technology innovation processes by 2010. We at Exago believe that 75% of Global 1000 companies will have these processes in place before 2016.

So, we've learned that disruptive innovation should be complemented by incremental innovation. Now here's what we've also found. Even if your focus is on incremental innovation and you're happy with your innovation software platform, you still need to balance the online activity with a set of offline offerings. There is still no substitute to minds working together in a room ideating, elaborating upon an idea, and accelerating a venture. Offline events need to be structured in a way to assure they achieve the desired outcomes. This means designing the right set of tools, the right process and the right facilitation

for each session. Ideally, you should have a catalogue of offline programs that you can easily draw from whenever you need to unstick an idea or a stalled opportunity.

#6 IT'S SOCIAL STUPID!

The world's gone social and pretending that social interaction at work is off-limits is both fooling yourself and missing an opportunity. Your innovation play, whatever it is, needs to be a social play if you're really in the engagement hunt.

You have two alternatives: you can choose an innovation software solution that includes social features, allowing individuals to interact with each other and collaborate (and yes, have some fun) or you can choose software that works like a traditional idea box – a black hole where you deposit stuff without ever knowing what happens to it. One comes with engagement. The other doesn't. You figure out which is which.

"The 'Millennials' generation, today's 'digital natives,' may require engagement strategies of their own. Companies that adopt some of the Millennials' behavior, and the collaboration and social media tools that they use to exchange ideas, will be well positioned to unleash these leaders of the future."

Demystifying Innovation, PWC, 2011

#7 GAMIFICATION: MAKE WORK FUN

Since the dawn of civilization children have learned everything through games: from basic knowledge like numbers and letters to eating and caring. Games help make boring activities more fun. In modern society, including the corporate world, interacting and "playing" with the Internet and Mobile Apps are part of our daily routine. Some of the apps you have on your mobile device are actually productivity tools that include a gamification element simply to make them more engaging. According to Gartner's Top Predictions for 2013, "Gamification addresses engagement,

transparency of work and connects employees' actions to business outcomes." Gartner predicts that by 2015 forty percent of Global 1000 organizations will use gamification as the primary mechanism to transform business operations. Yes, gamification in the corporate word is here to stay.

"The world's top-performing organizations understand that employee engagement is a force that drives business outcomes. Research shows that engaged employees are more productive employees. They are more profitable, more customer-focused, safer, and more likely to withstand temptations to leave the organization. In the best organizations, employee engagement transcends a human resources initiative — it is the way they do business."

Employee Engagement, Gallup Consulting, 2010

CASE STUDY

Innovation has always been a strategic dimension for Fleury Group – with over 10,000 employees it is the largest clinical analysis lab network in Latin America. Founded in 1926 in Brazil, this dynamic company has maintained its competitive edge by continuously focusing on R&D, business innovation and incremental innovation. Fleury has always had high levels of employee participation but the challenge was to take it to a whole new level – to increase engagement even further and to increase the stickiness of the engagement process.

In 2011 Fleury engaged Exago and its innovation solution. Within four months, participation levels were already three times the cumulative participation of all previous initiatives; within fifteen months, more than seventy percent of associates were actively participating, far exceeding Fleury's most optimistic expectations. With Exago's innovation solution, an average of 480 ideas are generated at Fleury each month and in certain months – depending on the challenge – it can exceed 1,000.

What is behind these high levels of employee engagement? Patricia Maeda, the company's head of innovation, explains: "Both the number and the quality of the implemented ideas offer significant benefits to the company; it is engaging all the collaborative universe, because it is transparent and efficient. Participants are motivated to actively engage in our innovation process and it has also created a bi-directional communication mechanism inside the company."

Exago offered Fleury an innovation solution with embedded gamification. With Exago software, participants gain currency every time they submit an idea or offer a value added comment on an existing idea. People can then use their 'innovation currency' to bid for prizes. The same currency can be used to invest in the ideas each individual believes adds more value to the company. This game-like stock market system not only acts as an efficient idea screening mechanism but also serves as an integral part of the gamification dimension of the solution. And who doesn't like to play a game, especially if it counts as doing work!

Engaging innovators at Fleury

Inability to get top management's attention

If you have already started your innovation program you certainly have a mandate from top management. But have you got their attention?

These days you rarely find an organization where innovation is not part of leadership's mantra. Yet the time and resources dedicated to it are far less than other disciplines like efficiency, quality and customer service. Why is that? While there may not yet be conclusive scientific research to support our hypothesis, we believe the challenge is that innovation is, and will always be, a leap into the unknown that rarely brings immediate measurable results (read, impact to quarterly results upon which CEOs are scrutinized). The same doesn't apply for efficiency, quality and customer service – these more traditional disciplines are taught as business basics in any university business course and are the Kool-Aid most executives drink before becoming blind followers.

So how do we change this?

#1 GET LEADERSHIP'S ACTIVE ENGAGEMENT, NOT JUST SPONSORSHIP

Make sure you get leadership – CEO, Executive Committee, business unit leaders – fully engaged by addressing their own business concerns and challenges, by educating them on the topic of innovation and by showing them both tangible and intangible results you're getting from your innovation initiatives. Get their commitment and engagement, not just their sponsorship and involvement– or, as one CEO we've worked with once said, "In a plate of bacon and eggs, while the hen is involved, the pig is committed." You need more pigs than hens if you really want to pull this off.

#2 TAKE A LEAP OF FAITH AND BE RESILIENT

Innovation is always a leap of faith – it is a rare management discipline because you can't see the end from the beginning.

"The drive to innovate begins at the top. The CEO sets the tone that defines the most deeply-held assumptions of the organization, and that alone will determine whether a culture of innovation can thrive. Looked at another way: If the CEO doesn't reward innovation, protect the process or change internal relationships to foster innovation, the effort will fail."

Demystifying Innovation, PWC, 2011

Results are rarely immediate and when they are it is mostly from incremental innovations. Undertaking an innovation initiative means embarking upon a long journey with only a tentative map and faith that somewhere ahead we will bump into an island with buried treasure.

One can't expect results in the short term and because of that the journey demands resilience. Make sure that expectations are clearly negotiated ahead of the journey, i.e., make sure you align top management's expectations in terms of expected outcomes. In our experience it is also fundamental to negotiate at least a three-year budget. No one-year innovation plan should be put forward as it is too easy to be shut down by short-term results oriented executives.

The good news is that increasing numbers of top executives are developing more realistic expectations of innovation outcomes. Arthur D. Little's 2013 Innovation Excellence Survey found that while innovation performance achieved has decreased on average since 2010, satisfaction with this level of performance has increased. No excuse to relax your efforts but nevertheless good news!

Lack of resources

You can't cook an omelet without eggs. We won't insult you by lecturing on the importance of having people and capital to run an innovation program. It is obvious and we're sure you're already taking care of that. What sometimes is not so obvious is the need for a constituency inside the company to provide needed support throughout different phases of the innovation process.

You will need internal support for communication, to reach out to stakeholders in far flung parts of the organization, to give a little boost when needed to a particular idea or venture, and so on. Lack of human resources and capital are among the main causes for the demise of innovation programs. Forget about employing a huge army of innovation musketeers – that's not going to happen. But you can still build an internal constituency of innovation foot soldiers.

Here are some ideas to overcome the challenge of limited resources devoted to innovation projects:

#1 BUILD A CONSTITUENCY

Since you're not being given an army of trained consultants to fight the innovation war, you need to find innovative ways to build a constituency. Ongoing training programs that "produce" innovation practitioners is one way to go. Over time you will have a constituency ready to support you in your efforts, especially if you have this type of contribution codified in each individual's performance evaluation targets.

Exago was recently commissioned to design a program to build an internal army of innovation practitioners. We were inspired by efficiency focused Six Sigma type programs. These programs train and engage individuals at different innovation proficiency levels to cut waste and improve efficiency. Within this context, we proposed working with the client to design and develop a specific set of outcomes. The outcomes were defined

to increase the success of initiatives by improving content quality, accelerating throughput and de-risking opportunities. We named our program "Innovation Sigma" and over time we believe it will produce a cadre of innovation pivots inside the organization. This program includes:

// definition of the different levels of innovation proficiency

// the curricula (tools and courseware) for each proficiency level

// a set of guidelines describing how individuals can progress from one proficiency level to the next

#2 SECURE A SMALL VENTURE DEVELOPMENT BUDGET

We've already mentioned the need to secure a minimum three-year budget to prevent short-sighted decision makers from destroying your innovation plan. Make sure that your budget includes funds to support promising and interesting business ventures that are stagnant simply because they don't have a natural owner in the organizational chart.

Lack of relevance

We have already explained that innovation is everybody's work but the problem is that it is also nobody's work. In an ideal world innovation would be each manager's and each business unit's responsibility. But we live in the real world. A corporation launches an innovation initiative and hopes that it spreads and positively impacts the organization over time.

This process of spreading innovation throughout the organization is tricky – initially you should expect some resistance from business units – "Who are these innovation people playing on my turf? I can solve my own problems. I don't need help from outsiders." This resistance can push innovation initiatives to address only 'second class' challenges. Second class challenges are those that are too broad in scope, e.g., "How to we cut costs?", or lack focus, e.g., "How do we save energy?", or suffer from a lack of ownership, e.g., "How to make the company more sustainable?", or are so farfetched that they have little to no relevance to business, e.g., "How can we save penguins in Antarctica?" The problems with these types of challenges are twofold. First, employees can smell a lack of sincerity and know when they are simply being "entertained". Second, the same top executives that validated the challenges will kill the initiative for its irrelevance and lack of value to the business. When the innovation outcomes seem irrelevant, so seems the entire innovation initiative. How do we keep our initiatives relevant?

#1 DON'T SOLVE PROBLEMS THAT YOU DON'T HAVE

Sounds like a good plan, right? Sure, but you would be amazed with some of the innovation challenges we've seen. So please don't forget about this – make sure you pick the right fights, not the stuff that top management and business unit leaders may throw at you to keep you distracted and away from their territory.

"The way to get lots of good ideas is to get a lot of ideas and throw the bad ones away."

Linus Pauling, Scientist

#2 MAKE BUSINESS CHALLENGES INNOVATION CHALLENGES

Successful innovation managers, we've learned, have succeeded by negotiating innovation challenges with business unit leaders. They have engaged these leaders to share with them relevant, tough, short to medium term business challenges and have named them innovation challenges. This approach achieves two extremely important goals: they have identified a challenge that is relevant for the business and they have established an owner for that challenge, i.e., someone that really cares about the outcomes. This is making innovation relevant to someone in the organization who can champion the challenge.

#3 BE VERY SPECIFIC IN DEFINING YOUR INNOVATION BATTLES

When defining innovation challenges make sure you define a clear and specific sandbox for people to play in. This might sound quite unintuitive but the fact is that the narrower the scope of the challenge, the more imaginative the audience. As an exercise, imagine a scenario where you allow people two minutes to generate ideas for each of these separate challenges: "Ideas to save water in homes" and "Ideas to save resources". For the same two minutes you would get more ideas for the narrower challenge.

4 CELEBRATE IMPLEMENTATION MORE THAN JUST IDEAS

You should have a mechanism that rewards participation and engagement. This means rewarding idea generation. But let's not forget that innovation only truly happens when you translate an idea into implemented reality. It is only in that magic moment that you actually create economic value. So make sure you celebrate implementation and identify the relevance and impact upon your business.

CASE STUDY

Innovation has long been a part of Portugal Telecom's DNA but it hasn't always been perceived as a transparent and collaborative process. In March 2009, PT's executive board launched the "Open Program". This initiative was designed to break free from the dogma that was keeping innovation centralized, blocked at the executive level or R&D departments. Throughout 2009, PT searched for the management software that would best support their Open Program initiative. The company identified Exago's Idea Market innovation management platform as the ideal interface to drive continuous collaborative innovation through periodic strategic challenges.

Exago's platform not only enabled PT to gather the scattered ideas of its employees but also allowed the company to assess and evaluate them using a very efficient tool – the collective intelligence of its employee base. The Idea Market mimics the operation of a stock market. Virtual credits are used as investments that support or reject an idea in the market. This collective assessment action in the market helps evaluate an idea, efficiently identifying those that meet with collective approval and confidence. Furthermore, the platform's simple and transparent process helps participants track in real time the progress of their own ideas and those they've supported through their investment credits.

PT has realized a participation rate of more than sixty percent of their workforce in the Idea Market which has generated thousands of ideas for PT. More than 5,000 of those ideas have passed the validation stage and over a hundred have already been implemented or are actively being developed. The screening and evaluation of thousands of idea inputs, to identify those most worthy of implementation, would have been a major challenge without Exago's intuitive platform.

In Portugal Telecom's own words: "The contribution of all the employees in the company towards the generation of ideas for continuous improvement has been one of the main sources of internal innovation and constant improvement of processes and services. In this context, PT created an Idea Marketplace in 2009, a tool which enables all employees to actively contribute to PT's innovation processes, by submitting, discussing and rating ideas. The success of this initiative has been reinforced since its launch with more than two-thirds of the company's employees registered in this online platform and a total impact of about 30 million Euros annually in implemented measures. The high level of employee involvement is a testament to the growing receptiveness to a culture of creativity and innovation that has been instilled in the company."

Making innovation stick at Portugal Telecom

Lack of measurable return

No returns, no play. At first glance, this seems an obvious leadership decision. So many innovation programs have been shut down based on this mindset. They failed to deliver a return that justified the resources invested. This happens more frequently than you can imagine. The corporate cemetery is full of innovation programs that failed because of this mindset; their ghosts haunt the same corporations whenever someone wants to relaunch an initiative. So how do you make sure that your innovation initiative doesn't die this type of death?

"The majority of companies are dissatisfied with their innovation-measurement practices. Only 41 percent of respondents said that their company is measuring effectively. Customer satisfaction and overall revenue growth are the two main gauges that companies use to determine the success of their innovation efforts."

Senior Executive Innovation Survey, BCG, 2010

#1 DON'T FORGET: QUICK-WINS ARE WINS

When launching or re-launching an innovation effort make sure you capture every single win at the beginning of the process; it might be an incremental idea that has gathered a lot of enthusiasm, a significant level of participation or simply the fact that you have launched the initiative successfully. Every small win is a win and it must be made visible to the organization and its leadership. In the words of Paul Polman, CEO of Unilever, "People tend to see innovation strictly in terms of revolutionary, breakthrough products… That's fine. But most innovations are the results of steady, continuous improvement." Don't wait for big results to start showcasing your effort. Do it now.

#2 LEARN TO MEASURE THE INTANGIBLE

Arthur D. Little's 2013 Innovation Excellence Survey found a correlation between capability in innovation measurement and innovation success, yet less than 20% of companies believe they have a good innovation measurement capability. If you run a search on the web you will find many different approaches and models to measure innovation output – it is a basic requirement to have a system in place to measure results.

Yet you might be neglecting much of the real value of your innovation initiative if you measure only for expected innovation outcomes. It is astonishing how, especially in the last decade, innovation efforts have delivered profound, and often unexpected, side deliverables. These deliverables have been so significant that in some cases they have overshadowed the innovation outcomes themselves. For example, the implementation of idea management systems often delivers results in realms that extend far beyond the ideas they generate. We're talking about:

// Engagement outcomes

The feeling of belonging is embodied in these collaborative initiatives because participants can voice their contributions to the future success of the company (e.g., "I feel that I am being heard and that my voice matters.")

// Strategy alignment outcomes

Idea management systems, when well structured, are a very powerful tool to communicate strategy and direction. By defining the right idea challenges, derived from company leadership's strategic direction, you are embedding important messages in your organization. For example, if entering a particular new market segment is a strategic goal, by making it an innovation challenge to generate ideas, you are also communicating and embedding this objective throughout the organization.

// Talent spotting

There is always hidden talent within an organization, people that don't have a chance to voice their ideas and insight. Idea management systems create an equal opportunity democratic platform. You may find that there are people lower in the corporate hierarchy who consistently have the best ideas.

// Higher execution levels:

The fact that the ideas are born within the company leads to more effective and swift implementation. (e.g., "If it's my idea being implemented I will go the extra mile to make it happen.")

All these outcomes are intangible or at least harder to measure in terms of economic value. Finding a way to measure them (e.g., comparing employee responses to statements such as, "I feel like an important part of the organization" or "I understand our organization's primary business goals", before the initiative's kick-off and throughout the effort) assures that you don't lose credit for the many intangible positive outcomes delivered by your initiative.

"In the end, the best talent will migrate to those firms that have inspiring goals, along with process, culture, incentives and investment that seeks out exciting innovation-driven growth opportunities. Those firms that attract that talent into a superior innovation culture will win in the global marketplace."

Demystifying Innovation, PWC, 2011

#3 PREVENT SELECTED IDEAS FROM FALLING INTO THE IMPLEMENTATION VOID

Sometimes the cause of lower return is linked to implementation challenges. Some of it is beyond your control – you've run the front-end innovation process and have successfully identified the ideas and opportunities that make the most sense to implement. This is when problems may arise – there's either no one to implement them or it lands in the hands of someone who is either not energized or without the resources to do it. The innovation opportunity falls into an implementation void and you get the blame for the low return of your innovation program.

The way to tackle this is by making sure that you have a challenge owner ahead of the challenge launch (remember that identifying an owner for each challenge was part of assuring relevance, as

described above). The owner must be someone with a business challenge, who feels the urgency to solve it, and who has the resources to implement the solutions. This owner has a personal stake in ensuring that an idea gets implemented – now you're on your way to measurable results.

Another way to avoid the implementation void is to negotiate an 'Experimentation and Incubation Budget', as we suggested earlier when discussing the problem of a lack of resources. A small venture development budget can go a long way towards saving those good ideas that risk falling through the cracks, orphaned without a champion to find the resources to advance their implementation. Having a budget to experiment and test some of the key assumptions and/or to implement the opportunity can help overturn this situation. It is far from being an ideal solution but it is better than looking at good ideas being left on the table for lack of execution resources.

"Managers may not be the enemies of innovation, but they're not the natural champions either. Their focus on improving profits through ever greater operating efficiency encourages them to reject new ideas that detract from these perpetual improvements."

Demystifying Innovation, PWC, 2011

#4 COMMUNICATE - EVERYTHING AND ALWAYS

We've already established the importance of sharing the quick-wins; it's just as important to communicate every single success throughout your initiative. Even if it's a small success or a more intangible achievement, communicating your triumphs puts your efforts in a context of success. And, as you know, everyone likes to be associated with successful projects. The more that individuals see the success of projects to which they have contributed, the more likely they are to continue their active participation.

Lack of transparency

The traditional model of 'top management decides' and 'everyone else unquestioningly executes' is less and less likely to succeed. Today's leaders need to define strategy based upon established fundamentals and then clearly communicate that strategy throughout their organization. Transparency is paramount in the twenty-first century enterprise. So when, in collaborative environments like innovation efforts, you don't offer that transparency dimension, participants became weary and start to disengage.

A lack of transparency can happen in many ways:

// individuals contribute with ideas or insights and there's no feedback, or feedback takes weeks or months to arrive;

// decision making about which ideas move forward is not clear or it is in the hands of only a handful of individuals;

// the outcomes of the innovation efforts are not communicated nor are the profits from them shared with the contributors.

To make your innovation program as transparent as possible, and thus keep people engaged, here are a couple tips we've found helpful:

#1 IMPLEMENT A TRANSPARENT SCREENING PROCESS

We at Exago are strong believers in the power of collective intelligence. We believe in the wisdom of crowds – that, under certain circumstances, a large group of individuals tends to make better decisions than a small group of experts. Based on this belief, we have designed and implemented online models where ideas are generated and screened in an efficient and transparent process. Using a stock market approach, we ask individuals to "invest" in the ideas they feel offer the most value to the organization. These decisions are made based on each individual's experience, competence, and wisdom. Through this 'idea stock market' model we, along with all participants, easily discover which ideas are seen to offer the most potential. The great thing about this is that besides being efficient and fun, it is fully transparent.

"In a democracy, you don't need anyone's permission to form a new political party, publish a politically charged article, or organize a 'tea party'. And in open markets, individuals are free to buy and invest as they see fit."

Gary Hamel, Author and Management Expert

#2 COMMUNICATE SUCCESSES, CONTRIBUTIONS AND OUTCOMES

We seem to insist a lot on communication throughout this paper. Well, here we are again. Make sure you communicate individual and group successes, contributions and outcomes. By now, it should be obvious to you why we insist upon it.

CASE STUDY

Endesa, one of the leading utilities companies in the world with over 22,000 employees in six countries, has always tried to engage its workforce to find innovative ideas to improve customer service and increase efficiency levels. After some years with a sophisticated electronic "suggestion box" they noticed diminishing returns. Participation was low and the quality of the interaction almost irrelevant.

In the words of Ismael Pulido, Endesa's R&D Portfolio Manager, "One of the defects most frequently attributed to other systems is the lack of transparency. Generally the contributions and ideas of the workers are assessed by panels of experts who provide no information or assessment of the merit of each idea until the end of the process." It was that long lead time and lack of transparency that killed the company's opportunity for engagement.

In 2001 Endesa embraced a new solution, Exago's Idea Market. Rather than disappearing into an electronic suggestion box, ideas are there for all to see on the open internal stock market of ideas. As participants offer ideas and 'invest' in the ideas of others that they truly believe in, they also can track the progress of ideas that interest them in the market. Participants are actively engaged and participating, and through this market mechanism the collective intelligence of many people is efficiently and – most importantly – transparently aggregated. In the first 3 months, the market approved more than 150 ideas that responded to challenges defined by management.

The Idea Market's performance has been impressive with high participation rates among Endesa workers and the implementation of many of the employees' ideas and contributions. These results have been achieved by building proximity, speed and transparency into the innovation program and thereby reducing barriers to innovation.

Creating an innovation culture across Endesa

Lack of purpose

So you've taken all of our advice and built a robust innovation engine that will – over time – bring differentiation and engagement to your organization. You've avoided all the pitfalls we've already outlined:

// inability to engage your people

// inability to get top management's attention

// lack of resources

// lack of relevance

// lack of measurable return

// lack of transparency

You have the resources, the mandate from top management, the right set of challenges and the internal support. Nothing seems to be missing and you feel you are poised for success. Yet your innovation program fails to take off in the manner you expected. If it isn't any of the causes above you might consider that it has to do with lack of purpose.

This very specific cause for failure – we have observed – typically happens in more sophisticated organizations where innovation is neither something new nor a fad. These are knowledge-led organizations where individuals are focused on "higher" activities. What can happen here is that you fail to get the company's collective attention and your program is relegated to the lost and found department – destined to be more lost than found. This happens when you don't demonstrate a clear purpose, a meaning to the innovation initiative. In people's eyes it's simply another initiative among many, like customer satisfaction goals, a work environment survey, or just one of those annual things that companies love to pull. You've lost their attention.

"As human beings, we are the only organisms that create for the sheer stupid pleasure of doing so. Whether it's laying out a garden, composing a new tune on the piano, writing a bit of poetry, manipulating a digital photo, redecorating a room, or inventing a new chili recipe - we are happiest when we are creating."

Gary Hamel, Author and Management Expert

Here's something you can work on from the beginning to avoid 'lack of purpose' trap:

#1 DEFINE A PURPOSE THAT IS BIGGER THAN THE BUSINESS ITSELF

When launching your innovation effort you must find a way to communicate that the initiative is bigger than just a simple project with a set of processes and tools. We're talking about the opportunity to define the company's future, about the opportunity to out-differentiate our competition and, more importantly, to write history together. Individuals need a meaningful purpose to motivate them to dedicate their free time to activities that are not part of their official job description. So make sure you find what makes people jump out of bed in the morning – define a meaningful purpose, a strategic intent that shows the outcomes of the effort will not only benefit the company but themselves and the world they live in.

"In the end, the best talent will migrate to those firms that have inspiring goals, along with process, culture, incentives and investment that seeks out exciting innovation-driven growth opportunities."

Demystifying Innovation, PWC, 2011

During a recent visit to Sagrada Família Basilica in Barcelona an individual came across three bricklayers. The three were working on the same area, placing brick on top of brick. She walked up to the first bricklayer and asked him "What are you doing?" He turned his head, and with a look of disdain he said, "What do you think I am doing? I am laying bricks." She moved on to the second bricklayer. She asked him, "What are you doing?" He turned his head and with a look of appreciation he said, "I am making a wall." She approached the third bricklayer and asked him, "What are you doing?" He stepped back and looked up and down his creation. He turned to her with a smile and a glint in his eye as he said, "I am building a cathedral."

What makes people engage in your innovation effort? Laying bricks, making a wall or building a cathedral?

Mapping your innovation path

So, we have good news and bad news. We'll start with the bad news: Arthur D. Little's Innovation Excellence Survey found a growing number of companies realize that they have failed to make innovation everyone's business and this is costing them dearly. As they lag behind their competitors, they discover that industry leaders are the companies that make a real effort to engage everyone. Those companies are reaping significant rewards: committed and engaged employees and other stakeholders, more and better ideas, and great ideas and talent arising from unexpected corners of the organization.

Now the good news: Boston Consulting Group's Senior Executive Innovation Survey shows that many companies consider innovation a key weapon in their efforts to seize the benefits of a tentatively emerging economic recovery. The report also postulates that a new world order in innovation is taking hold, one in which rapidly developing economies, led by China, India, and Brazil, will increasingly assume more prominent positions, while the United States and other mature economies will continue to play major roles but gradually become less dominant.

Clearly, there are great expectations for innovation to drive corporate success. But in many cases, innovation is not living up to its own hype. It often fails to deliver expected returns, leaving companies wandering in the desert rather than arriving at the Promised Land. Does this mean we should avoid innovation? Absolutely not. What is means is that just like with the quality movement some decades ago, companies need to find their own processes and methods. They need to carve out appropriate resources and recruit the necessary leadership sponsorship. In other words, companies must understand and map their own Path of Innovation to the Promised Land of Opportunity.

Forget about inspirational success stories of companies that schedule and internalize innovation time such as Google with its 20 Percent Time policy (one day each week for all employees to devote to personal innovative projects), 3M with its Fifteen Percent Time, Apple with its Blue Sky project and Facebook with its innovation Hackathons. Forget about companies that celebrate failure enthusiastically.

You're not Google or 3M. You're not Apple or Facebook. So forget about copying their model and pasting it into your business. Their models are based on processes, tools, technologies, culture, values and metrics that are distinct to their companies. We can offer no magic one-size-fits-all recipe for innovation excellence, but we do offer our set of twenty-two tips that will help you design and adapt your own innovation program, one that will eventually allow you to out-innovate your competitors - this is the ultimate goal and should be the focus of your efforts.

Innovation is a process of trial and error. As long as you keep moving forward, recognizing and celebrating your achievements, you're in the game. But how do you make sure you're moving forward as fast as you can, with as much success as possible? The answer lies in a strong foundation: make sure you have the basics in place before launching your innovation program.

We offer below a checklist that – in our experience – will increase your odds of success. You will learn that there's never an ideal moment to get started. You will never have all the necessary components aligned at the same time. So the best you can do is to put the basic requirements in place, hit the ground running and build the other components as you gain traction and get up to speed. Before you know it, you'll have hit your innovation stride and you won't even consider slowing down.

Make sure you have these in place before getting started

#1 A thorough and witty communication plan ⊘

#2 Rewards and recognition: a.k.a. Incentives ⊘

#3 Constant feedback ⊘

#4 Make it inclusive ⊘

#5 It's social stupid! ⊘

#6 Gamification: Make work fun ⊘

#7 Get leadership's active engagement, not just sponsorship ⊘

#8 Don't solve problems that you don't have ⊘

#9 Be very specific in defining your innovation battles ⊘

#10 Implement a transparent screening process ⊘

#11 Define a purpose that is bigger than the business itself ⊘

Build these once you start gaining traction

#12 Make business challenges innovation challenges ⊘

#13 Celebrate implementation more than just ideas ⊘

#14 Don't forget: Quick-wins are wins ⊘

#15 Communicate - everything and always ⊘

#16 Communicate successes, contributions and outcomes ⊘

Enhance your innovation program significantly with these

#17 Balance your online and offline efforts ⊘

#18 Take a leap of faith and be resilient ⊘

#19 Build a constituency ⊘

#20 Secure a small venture development budget ⊘

#21 Learn to measure the intangible ⊘

#22 Prevent selected ideas from falling into the implementation void ⊘

Good luck on your innovation journey.
Your program won't fail – we know it!

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