

# **The Execution of Innovation: What You Need to Know**

*HYPE Innovation White Paper*

by Stefan Lindegaard



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## **Introduction**

For several decades corporations around the world have talked about innovation and tried many different efforts to get this to work at their organizations. The results have more often than not been mediocre or worse. The time has come to take stock of what's working and what needs to change to improve the odds of success. There is a lot of change coming!

This is what I believe in and what I will cover in this white paper.

The future of innovation – and business – is driven by three global mega-trends: Everything moves faster, everything will be connected and there will be a much higher degree of transparency.

Thus, we need a different approach on innovation. Here you have my current thoughts (work in progress):

1. The focus is shifting away from ideas as they are in abundance. Now, the front end of innovation is the easier part and the execution is what really matters. We have begun the transition phase to put even more focus on execution.
2. The language of innovation and how people understand the term is vague and fuzzy at best, dangerous at worst. This can cripple organizations. We need to pay much more attention to this issue.
3. Corporate transformation is key and new thoughts on innovation can help ignite this. However, corporate innovators must step up their game and be ambitious to play a role in this.
4. Strong organizations in the near future do four things very well. They listen, adapt, experiment and execute much better than their competitors.

Does this resonate with you? If so, read on!

## ***Timing for Innovating Is Ever Shorter***

A chief reason why companies must shift their focus to mastering execution is the ever-shrinking window of opportunity. In the past decades, depending on your industry, you could count on having three or five or even seven years after bringing something new to market to make good money before you needed to come up with the next new thing to keep revenues growing.

This is no longer the case. While the pace of innovation used to be fast, it was still manageable. Now the window of opportunity is getting shorter and closing faster so you're forced to innovate ever more rapidly. The mobile phone industry, for example, now counts in months, not years, between new product introductions.

This also makes timing a key element of innovation as you need to hit the market at the right time – not too late, but not too early either – with the right offering or you fall behind competitors, forced to go in directions they dictate rather than charting your own future.

At the same time that the window of opportunity is narrowing, competition overall is becoming more and more unpredictable. Your competitors are using open innovation or external collaboration to uncover more opportunities and the results are starting to show. And new competitors are coming out of nowhere and perhaps from different industries to disrupt your market and destabilize your industry.

The book industry is a great example here. No one really expected Amazon to become the disruptive force they have turned out to be, but they put major chains out of business and prompted many independent booksellers to close as well. Now the company is not just the world's biggest online retailer of books but the biggest online retailer, period, causing competitors like WalMart to have to fight to keep up. Tesla's announcement of their in-home power generation stations is another example of a young company quickly making a disruptive move into an entirely different industry than the one in which they started.

## ***The Effects of Connectivity and Transparency***

I see two main reasons why innovation is moving faster and companies are able to morph off into new business areas much more quickly than ever before. One is the greater transparency of knowledge, and another is the greater connectivity around the globe. Not only is knowledge about how to solve innovation roadblocks more transparent, but information about developments within industries and markets is also more transparent than ever. That is at least within the venture capital and entrepreneurial communities for now. The corporate innovation teams need to catch up here.

For example, if a start-up in Istanbul gets a million Euros in funding, the news will quickly spread to the entire VC community. Also, other entrepreneurs, who are constantly on the lookout for new ideas, will look at this information, and if it is a great idea, you will see even more competitors for that Istanbul start-up spring up within a month or two. Unfortunately, as of yet many large companies are not leveraging this transparency of information. Focused too inwardly, they are not listening extensively – if at all – to what’s happening outside their walls, so it may take them three, six or nine months to learn of new companies that are about to launch something radically new that could be disruptive to their own plans or even to their whole industry.

At the same time, the advent of open innovation, external collaboration and crowdsourcing means that information and ideas flow more freely than in past eras when companies operated over a much smaller territory and without the virtual communication tools that we take for granted today.

It is also worth noting the growth of outsourcing and thus the globalization of supply chains, which has giving so many companies access to ever-larger pools of expertise from suppliers and partners who can help them find solutions to any innovation quandaries they confront.

Given this overall fast pace of change, it does not bode well when companies use static stage-gate processes of the past to move innovation projects forward. You need to think more about loops than straight lines as you need flexibility and the ability to go back and forth and even reverse your decisions.

Why? See the next point.

## ***Internal Readiness Matters***

Timing is key for innovation success as well as the reason for most failures in the context of innovation. The timing of innovation should be measured not only against the market, which is where people have a strong tendency to focus on, but also towards the organizational readiness. The latter is especially true if the project has a radical or disruptive element to it. Then, the biggest opponents can often come from the inside.

One challenge here is that promising projects – with the wrong timing – can get killed in a very linear stage-gate project. If an idea falls through the funnel and/or the stage-gate processes, then it is just gone, even though it might hold promise at a future point when the organization is better prepared to execute on it.

A solution could be the innovation basket, which is an idea I first heard about from a guy working at PepsiCo. If the projects are interesting, but the timing is off, then you can catch the falling projects in the innovation basket. Not so long ago, I shared this idea at a session for corporate innovators in Madrid, Spain. A person from Mutua Madrileña lit up and said: “We’ve got something like that. We just call it the innovation refrigerator.”

There is one caution when setting up such baskets or refrigerators. Some projects need to be killed because they are just not right for your company under any circumstances. If this

does not happen, then they can end up as zombie projects that are often the pet project of someone with influence. They can suck up lots of resources and attention that could be better used elsewhere.

## ***What All This Means***

Given the context that I've just described for innovation, I want to reiterate and then build further on these four key ideas that I mentioned in the beginning:

1. The focus is shifting away from ideas as they are in abundance. Now, the front end of innovation is the easier part, and the execution is what really matters. The transition phase to put even more focus on execution has begun.
2. The language of innovation and how people understand the term remains vague and fuzzy at best, dangerous at worst. This can cripple organizations.
3. Corporate transformation is key and new thoughts on innovation can help ignite this. However, corporate innovators must step up their game and be ambitious to play a role in this.
4. Strong organizations in the near future do four things very well. They listen, adapt, experiment and execute much better than their competitors.

## ***Ideas Aren't Enough***

At this point in the evolution of innovation capabilities, most organizations are able to generate promising ideas to the point where the front end of innovation has become if not the easy part of innovation then at least the easier part. If you work with innovation management and execution in a large company and you feel you have difficulties getting enough ideas – even the right ideas – I would be somewhat provocative and challenge you by saying that you are simply not doing your job well enough. There is too much knowledge and insights on this topics and the service providers on innovation and idea management have reached a level of maturity and sophistication that there are no longer real excuses for not doing well at this stage.

The fast moving adoption of open innovation, external collaboration and crowdsourcing also means that ideas are in abundance inside as well as outside of your organization if you set up the right structures and processes for harnessing the input of employees and external stakeholders. The key challenge is more about managing the overload of input that you will get.

This combination of available experience, insights and knowledge within and/or outside your own company and the abundance of ideas, which to a high degree is driven by social media, and the ways and tools for interaction and communication, brings us to an important observation: If your company does not have a strong front end of innovation set up today, then it is seriously behind and has to correct this fast so as not to lose out in the battle of innovation.



## ***People First, Then Ideas***

So if the front end of innovation is the easier part, what is the hard part? Why does so much innovation continue to fail?

It's because many companies have not yet figured out that people are the key for execution. My mantra has long been people first, processes next, then ideas. Yes, you need the right projects and you need to have the processes in place, but nothing happens if you do not have the right people at the right time for the right ideas and projects.

Having this in mind, I encourage corporate innovation teams to spend more time on identifying and developing individuals and even organize what I call people pools. Corporate innovation teams already know how to put ideas and projects into different pools and phases. You need this kind of overview to manage the ideas and projects portfolio, but corporate innovation teams often don't understand that they need to do the same thing with their people.

With people pools you can look at the skills and mindset needed for the different phases of innovation, including early stage, mid-stage and late-stage project pools or discovery, or incubation and acceleration phases. Then you can assign the proper people into these phases. Once you get the people pools in place this allows you to assign the right people at the right time for the right ideas.

Once you accept that it is people first, then processes, then ideas, your innovation execution capabilities will dramatically increase.

## ***Clarity of Purpose Is Key***

As the focus moves from the front end of innovation to execution, the overall efforts become much more problematic due to a lack of clarity around your innovation strategy and the understanding of innovation. You need to speak the same language if you want to get internal and external stakeholders onboard. This starts with a clear agreement on how innovation – internally as well as externally focused - fits the specific situation of your company. In other words, you need a clear innovation strategy. It is hard to define what an innovation strategy is, but you can think of it as a direction or guide to the sweet spot that lies between the overall corporate objectives and the more visionary opportunities that reside within corporate innovation teams. It is also worth having in mind that an important element of any kind of strategy is the ability to say NO and explain why you say no. This can be useful in times with way too many ideas and projects and choices to make.

You also need company-wide knowledge of what the language of innovation means within your organization because some terms can mean different things within different functions and parts of an organization. This requires a communication strategy as well as training and a constant focus on communicating the proper messages because you can't be a great innovator today without being a great communicator.

While as I've already said, everyone can get lots of good ideas, choosing which to pursue and what level of resources to attach can be difficult. This is where an innovation strategy can be crucial because the basic idea of any strategy is that it gives you the reasons to say no and thus keep a focus on what needs to be done.

Choices can be a good as well as a bad thing, but generally, we have too many choices to make and thus it can be very useful to have someone who can bring clarity to what you are trying to achieve and set the direction.

This reminds me of a panel I recently moderated on innovation execution where Julian Wilson of Barclays said that this was a situation where a benign dictator like Steve Jobs was a very good thing. Usually, I don't think dictators make good leaders for innovation, but I fully acknowledge this point. There are times for getting lots of input and there are times where you just need to get things done.

## ***Less Talking; More Doing***

Maybe it is time to talk less about innovation if we want more of it because the word innovation is tossed around so easily and so often, including in marketing messaging, that its true meaning has become very muddled. Yet, when I work and interact with large companies on innovation, I find that many of them are still bogged down in endless discussions about something that should by now be pretty well understood – how to develop a stronger innovation culture.

It remains hard for many companies to define exactly what an innovation culture looks like, just as it is difficult to provide a single definition of innovation. As I noted above, I believe that it is very much up to each individual company to create a common language and understanding of these terms that fit the unique situation of the company.

If you work with corporate innovation, you can't really avoid having some insight and perspective on the concept of an innovation culture. Viewpoints are plentiful and varied, which causes plenty of confusion among companies that are trying to build an innovation culture. This brings me to a big question:

Do companies really need an innovation culture?

Recently, I have been wondering if it really makes sense to keep talking about an innovation culture and to spend so much time and energy to develop it at large companies. Too many companies simply fail on this, and, let's face it, most people at a large company should not really work with innovation; they need to focus on getting their daily jobs done, which includes incremental innovation. But you don't need everyone to be innovative and come up with new ideas and work on new projects all the time. However, this does not mean that they should not have the opportunity to contribute to the kind of innovation that goes beyond incremental. They should, and this can happen through the likes of campaigns and business plan competitions.

## ***Prepare for Disruption***

As mentioned earlier, radical innovation or disruption hits much faster and harder today compared with just five years ago. However, I don't think you can plan for disruptive or radical innovation in your company. You can develop the right frameworks and conditions for this to have a chance to develop, but you can't plan for it. The resistance and uncertainties that you will find both internally and from the markets are too difficult to manage for any company to rely on bringing out radical and disruptive products on a frequent basis. There is simply too much of an element of luck in this. (But again, you can prepare for this luck to hit you by creating the right frameworks and conditions).

Although you might get a different impression by reading the above, I still think that radical or disruptive innovation is highly important because even though you can't plan for your company to bring out radical or disruptive innovation, you can be pretty sure that your company will be hit by such innovation brought along by known – or more likely currently unknown and thus unexpected – competition.

The future might look bright and clear right now, and thus there is seemingly no reason to make the smaller, but important, changes to your organization that will make it more adaptive and able to respond to a different kind of competition. Unfortunately, this lack of adaption is exactly what will kill your company when disruption hits your industry faster and harder than ever before.

Building further on the above notions, you must take into account that the windows of opportunities and thus also the life spans of cash cows are diminishing. It used to be that big companies would occasionally hit the right window of opportunity just given to their sheer size and “control” of the industry, but this is changing, and since no company is too big to fail today even a few misses in a row can become critical.

## ***It's Time for Corporate Transformation***

Given that the context of innovation today is that companies move faster and are more connected and knowledge is more transparent and more widely available, companies need to figure out how to adapt to this in order to beat their competitors. This has a lot to do with the design of the organization and the skills and in particular the mindset of the employees. Will the organizational structures that we have known for decades survive this?

I don't think so, but I don't have a clear answer on what to replace them with besides a few hints and recommendations, which includes:

- Look further into the roles of free agents and how this impacts an organization.
- Learn from the companies carrying out large-scale experiments on the future of the organization.
- Beware of the clashes between rookies (the millennials) and the corporate veterans and make sure to tap into the best of both groups rather than just catering to one of them.

Since the future organization will have an abundance of ideas and projects to choose from, the execution of the chosen ideas and projects will become even more important. This requires the ability to read and adapt to ever-changing markets and to execute fast while still being open to experimentations within an organization as well as on the markets themselves.

Given all of this, does it then make sense to continue to talk about an innovation culture? Is it the wrong term to use? I acknowledge that terms are merely what people put into them, but maybe we could create better and stronger corporate cultures if we stop using the terms “innovation” and “innovation culture” and “just” focus on making companies more agile, adaptive and great at execution. Such an organization will have the capacity to:

- **Listen** better to internal and external stakeholders, markets and other places with influence on your business.
- **Adapt** rapidly to opportunities and threats.
- **Experiment** with approaches to listening, adapting and executing.
- **Execute** well on chosen projects.

By mastering these skills, your company can help assure that it is capable of disrupting a market instead of being the victim of disruption from an unanticipated outside source. Clearly, to become an organization that is capable of listening, adapting, experimenting, and executing will require many companies to significantly transform how they operate, not just with regards to innovation but perhaps overall. A prominent example here is Zappos and their adoption of holocracy, whereby the former typical hierarchical corporate structure is being replaced with one in which authority and decision-making are being spread through self-organized teams.

It is still much too early to predict the results of this and similar experiments in how companies organize themselves in order to pursue innovation and win the competitive battle.

But the key point here is that, with the pace of innovation today, some degree of corporate transformation is almost imperative and we need to experiment on this. The role of corporate innovators in all of this is to step up your game and carve out a leadership role in helping your company build toward a future in which it has the agility, skills, mindset, and drive in place to thrive in a climate where innovation is key to survival.

A key part of upping the ambitions of innovation leaders is based on the assumption that the organization has a strong innovation strategy. You need a clear direction and a strong mandate to execute on this. As an innovation leader, you can no longer shrug your shoulders and say this isn't going to happen because the top executives just don't get innovation and what it requires. True, they may not "get it" today, but it is also very likely that they won't get it in the next three to five years. This will only change if innovation leaders pick up their game and take on more responsibility and pursue a stronger approach that will drive top executives to a better understanding of what it takes to work with innovation in today's environment. This includes establishing a clear strategy and mandate for innovation. Again, this won't happen until innovation leaders take themselves and their role in the organizations they serve more seriously.

*This white paper has presented the 30,000-foot overview of the state of innovation today and raised critical questions about how organizations need to transform to thrive in an environment in which innovation occurs at ever faster speed. In a future white paper I will tackle the practicalities of how to improve your company's innovation execution capabilities in the face of the challenges presented by the trends that are driving innovation. Let me know your insights, reflections and perspectives on this.*

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