

Identifying and Removing Barriers to Innovation

By George Chen and Michel van Hove

Many companies aspire to be innovative, and they religiously copy the practices of industry leaders. However, these companies rarely achieve the same success. Why? They layer the copied processes and tools on to existing infrastructure without first addressing what's keeping them from being innovative in the first place. One CEO summed up his company's dysfunctional approach to innovation succinctly – “We say innovation is our top priority, but we don't effectively allocate our time, resources and efforts to walk the innovation talk.” Other executives tell us that “innovation is risky,” “the urgent (quarterly earnings) drives out the important (innovation);” and “we punish failures.”

Systematic Thinking Delivers Holistic Solution

Before starting your journey to identify and implement industry leading innovation practices and techniques, you should review your entire business system and identify all the barriers that have kept innovation from taking root in the first place. Whilst the principles behind processes might be similar or even the same, the design depends on factors that are unique to your organization. For example, most companies'

performance metrics are carefully tailored to track the existing business model, and, as a result, are not appropriate to measure new and different business concepts.

Think of a well-established computer hardware company delivering services for the first time. Metrics such as return on



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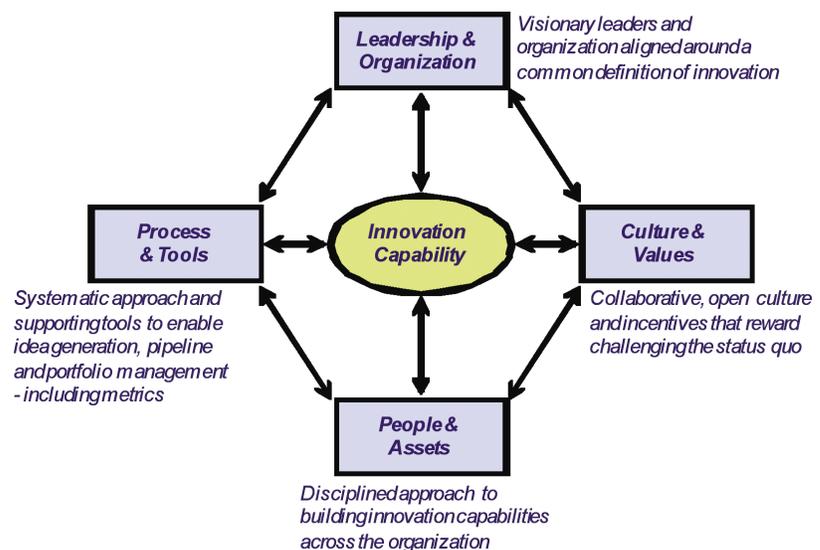


Figure 1 – Innovation System

assets will be meaningless for the new business. But the all the existing reporting and accounting systems were designed to track that metric. Metrics are important but need to be closely related to what you are expecting innovation to deliver. Using the wrong metrics leads to organizational behaviors that often

inappropriately kill ideas rather than progress them.

To holistically assess your business system, you should look at four key components: leadership and organization, process and tools, people and assets, and culture and values. Figure 1 above illustrates the concept.

One point worth mentioning – these components must be thought of and designed systemically for any given organization. If you want to alter your stage gate process, to create and nurture new business opportunities that are both homogeneous and heterogeneous to your current business model, you can redesign the process to produce both types. But will your measures (both in process and outside of the stage gate process) accommodate? Or do you need to re-look at those measures as well? Furthermore, will your leadership team have flight hours for assessing substantially different opportunities or business models and concepts? Or do you need to expect to build flight hours? And will the broader managerial base within the organization know what you are searching for? Additionally, will communications within the organization need to be deliberately altered to convey the new aspiration and exploratory mindset?

Commonly Observed Barriers

1. Leadership and organization: Not walking the talk

Many company mission statements list innovation as a core value. But when executives ask only about daily sales, the latest headcount reduction progression, or the improvements in inventory turns, guess what their people focus on?

2. Processes and tools: Too little or too restrictive

In many companies, employees are told to go innovate, but they are not given the tools and resources they need to succeed. Other companies go the other extreme by implementing rigorous processes that squeeze the life out of would-be innovations instead of nourishing good ideas into better ones. As an executive of one integrated oil and gas producer acknowledged, “we are so focused on compliance or project development process, we lose sight of the primary reason for executing the process: get project developed!”

Instead, good innovation processes share the following characteristics:

- Allow divergence and exploration at the front end.
- Synthesize individual ideas into bigger platforms before selecting individual ideas to develop further.
- Use experiments to test critical assumptions and refine the business model before locking it in.
- Adjust evaluation criteria throughout the process to reflect the stage of development of the innovation.

3. People and skills: Isolating innovation responsibility

Companies often pay lip service to the need to harness innovation talent throughout their organizations, but in practice they restrict innovation to a few areas

or departments, typically R&D and marketing. Numbers are not enough. Diversity matters too.

4. Culture and values: Fear of failure

Far too often, companies minimize the importance of organizational culture when it comes to innovation. As one executive shared, “real and continuing innovation comes about as a result of a deeply ingrained culture of innovation.” Many companies suffer from a fundamental cultural flaw - a fear of failure. These organizations do not consider failure to be an option and unsuccessful risk takers are stigmatized. In contrast, Google reinforces the importance of innovation by letting employees spend 20 percent of their time working on their own ideas and keeping several active email lists to collect ideas from all employees. Most of these efforts will not result in successful products or services, but the ones that bubble to the top sure beat some tough competitions.

Overcoming the Barriers

As you identify the specific barriers to innovation, you will also identify remedies for overcoming them. When you do, remember:

- Don't just treat the symptoms – identify the root causes for better remedies
- Don't only act on one issue at a time – think of a portfolio of tactics that builds a system fostering innovation

- Don't blindly copy best practices – understand why they work and put these insights to practice for your organization

On the Road to Success

If you want sustainable growth, you have no choice: you need to proactively improve your organization's innovation effectiveness. The bad news is

that there is no magic bullet to doing so and that it can't be done overnight. The good news is that many companies have succeeded in building an innovation competence. These organizations are clear on the reasons why they are innovating, what the areas are they need to focus their innovation efforts, and how they

intend to approach this. Conducting an innovation diagnostic and acting on its results is a proven way to get started. Acting systemically on all your organization's innovation blockages will help you get the job done.



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