



Are there different ways to innovate?

INNOVATION APPROACHES

Different ways for organizations to pursue an innovation strategy

2021





On+innovation is a project to detect, analyze and synthetize new practices on innovation around the world, be it new models, methodologies, technologies or practices, which aim at improving the way now people or organizations innovate.

The analysis is presented in a descriptive manner in order to make it easy to understand. Its goal is to help organizations to be more efficient when they innovate.

The cases are brought to you thanks to the UPF Barcelona School of Management through a collaboration with the Institute of Next, an organization based in Barcelona since 2000 and focusing on detecting, deriving and applying effective models of innovation.

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IN A SNAPSHOT

MAIN IDEA

MODEL 06

SNAPSHOT



INNOVATION: MANY FLAVOURS, MANY TOOLS

r or many industries and companies, innovation has become a necessity. This is especially true for industries known for having short product cycles, where customers are likely to get new value propositions at an accelerated rate. We find a similar example in industries where technology plays a relevant role, with new technical possibilities turned into products very quickly. Moreover, some sectors are affected by market saturation due to customer fatigue or boredom, as people demand new things and stimuli, which tends to turn current business upside down.

nnovation is no longer a whim, but a must, at least in some industries, and chances are it will become a must in many more, including the legal service industry. Unprecedented technologies, such as artificial intelligence, have the potential to revolutionize the current way of doing business. t could be interesting to learn from the approaches and methods used in other industries to innovate. Thus, although the following list only provides some examples, it certainly should offer some inspiration. This list shows that innovation is not an individual activity—which would rarely produce results—but a teambased endeavour that has to be done systematically and consistently.



MAIN IDEA

The various ways to innovate can be arranged in a two-axis concept map. The horizontal axis takes into account whether the innovation effort is made primarily within the organization or outside it. The vertical axis goes from merely generating ideas (bottom) to having a day-to-day, systematic way to innovate (where it is the responsibility of everyone in the organization).

or instance, the most basic way for an organization to start innovating is by deciding that they have to do something (bottom of the map). Although this may seem trivial, simply being open to innovation is the first step forward on this path.

A fter that, there are two basic options. The first option is to create an "idea bank" where employees can "post" an idea about something that could be done or changed. This is an internal approach and has more potential in terms of getting something done than the "yes-no" decision about innovation (vertical axis). The second option is to use customer feedback as fuel for innovation, as they might be asking for solutions that require some sort of innovation (i.e. transforming what is currently being done). This is also done internally, but the source of ideas is external.

U Itimately, we came up with the following map. As we said before, the result is not meant to be exhaustive, so it may not account for all the ways in which a company can innovate. However, the methods that are covered are highly relevant.







SHIFTING FROM NO INNOVATION TO INNOVATION

The first (and most important) step on the path towards innovation is understanding that innovation is not a "cosmetic" update, but a relevant change aimed at defining the business for the coming years. It should be seen as a necessity, rather than a mere response to new trends.

ompanies have a tendency to stick to their current way of doing things—which may work well enough for now—instead of exploring new potential avenues. This prevents them from understanding that their business is no longer stable, as new disruptors appear in the market.

Unfortunately, as of yet there is no such thing as innovation science, which may one day produce a perfect equation for coming up with successful new businesses. We do have methodologies and tools, but innovation still requires a lot of room for trial and error. Error-free innovation simply does not exist. So, the idea of "experimenting", of trying something new and seeing how it works, must be made part of a company's day-to-day activities. And that is no easy task.

DEVOTING QUALITY TIME TO TREND ANALYSIS

There is a huge amount of useful information out there just waiting to be analysed, and this can lead to potential business opportunities. One of the paradoxes of the so-called "information age" is that we have access to so much information that we are overloaded with it. In fact, the more information we have, the worse it is for us, because it eats up time that we could be using for more productive activities.

S electing the right sources of information has become imperative. However, it is even more important to implement mechanisms, make time and offer proper settings for people from different departments within a company to discuss trends and think about potential opportunities that could be directly tested in the market.

 $S \ \ pecifically, companies should find a way to engage in regular conversations with some of their most important clients in order to systematically detect products and services that they might need, perhaps even before they realize it themselves.$

IDEA BANKS

O ne of the most common ways to kick-start an innovation strategy in a company is to create an idea bank. In a nutshell, this tool allows any member of a company to suggest "ideas" that they believe are interesting, promising or worthwhile. It could be a digital bank, but a simple polling box is just fine, too.

n our experience, idea banks always seem like a good start but end up leading nowhere. People tend to respond enthusiastically to this "call" for ideas, but once the ideas are gathered it becomes clear that turning them into projects is not that easy.

t is often middle management that stands in the way of these promising ideas. While people at the bottom of an organization eagerly make proposals, those in the middle tend to have trouble accepting smart suggestions from below, or, more practically, do not know how to transform them into real projects that fit their current portfolios.

And if participants in the first wave of an idea bank receive no response or reward, participation in subsequent waves will be non-existent.

CONNECTING FEEDBACK TO INNOVATION

A nother way to start innovating is to turn feedback into opportunities. Simply put, customer feedback can be used as insight into what should be improved or handled in an entirely different way.

eedback is most often treated as a mandatory activity, and a negative one at that. Turning it into a source of innovation may lead to interesting and unexpected outcomes. The first step is to find a new way to collect and analyse feedback. For instance, some companies have begun using artificial intelligence-based digital tools to streamline how they handle feedback.

eedback may come from outside or inside a company. Thanks to internal reviews, for example, unnecessary processes requiring lots of effort and resources can be axed. All it takes is for somebody to identify them as opportunities for improvement.

OPEN INNOVATION

INTERNAL CHALLENGES

O ne of the most promising ideas for in-company innovation came from a group of experts, who argued that there would always be more intelligence outside a company than within it. By opening up its borders and systematically looking for new ideas for products and services beyond its current portfolio, a company can spot promising leads and potentially turn them into business opportunities.

ompanies may try out these innovative ideas on their own customers, purchase a licence from another company or even buy a company that has proven the true value of its innovation.

The idea that more insights are to be found "out" than "in" has led to idea markets. In such markets, companies explain their needs and what they are willing to offer in exchange for solutions (usually money), and experts around the world present their ideas. Behind this seemingly simple scheme are complex rules that prevent the misuse of intellectual property belonging to any of the parties involved. **S** ome companies handle their innovation needs by posing challenges to different groups. These could be employees or suppliers (internal challenges), or they could be customers, clients, or even potential solvers located around the world (external challenges).

hallenges can be highly specific (e.g. "design a better sole for our sneakers") or much broader (e.g. "come up with a way to 3D-print furniture").

A company can derive these challenges from an analysis of its current business model, generating a list of problems and opportunities to explore. In this case, challenges come in an "innovation wave", of which there may be several throughout the year.

hallenges can be addressed in a number of ways. One is to form a set of "innovation cells" comprising people from different parts of the organization, who gather for the sole purpose of dealing with a specific challenge and coming up with several "proposals" to tackle it. Another is to set up an "innovation lab", a fixed structure of innovation professionals who take on a challenge and work to solve it.

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INNOVATION CELLS

This approach involves creating an innovation culture by training people from across the organization to improve the business model through prototyping.

A company first defines a set of challenges by analysing hits business model for problems and opportunities. These are then presented to innovation cells, which are made up of people from different business units. They must start by coming to a shared understanding of their assigned challenge. They then explore potential solutions by engaging in active workshops. Finally, they outline specific proposals that could be prototyped.

n this way, it is the company's employees who analyse the business, explore opportunities and develop prototypes to submit to management. Likewise, it is the business units to which they belong to that end up launching projects based on their ideas.

W e have applied this methodology in a broad spectrum of companies, with remarkable results.

INNOVATION LABS

S ome companies tackle their need for disruptive innovation through their own innovation labs, which bring together professionals from a wide range of backgrounds. The aim of these labs is to come up with radical new ideas that could lead to a significant competitive advantage.

o gather new ideas, they may pose challenges to individuals or start-ups.

These labs have several mainstays, namely an extensive use of trend analysis, a mastery of customer insight analysis and prototyping abilities.

owever, when a company sets up its own innovation lab, it might face some challenges. For example, having a team devoted to "thinking" and "playing" may come across as frivolous to other parts of the organization, especially those running the current business. As such, innovation labs commonly become an ivory tower of sorts.

EXTERNAL CHALLENGES

A fter analysing their current business model and identifying some challenges, companies may choose to take an outside approach. This could mean contacting customers, clients or potential solvers located around the world.

hallenges can be launched worldwide through an orchestrated internet campaign, although this option requires a significant amount of resources. Alternatively, companies can turn to a targeted group of companies (typically startups) selected by a third party that keeps and curates a database of potential solvers.

There are several methods for launching a call for outside help. If the problem can be solved through software, for example, companies could organize a hackathon, where tens or even hundreds of software experts are pushed to find solutions within a short deadline (typically one or two days).

The next move could be to hire experts or professionals with the knowledge and expertise to turn new concepts into specific prototypes. Another option is to locate start-ups offering the right solutions, and either hire their services or acquire them.

HIRING OUTSIDE EXPERTS

S ome companies prefer to outsource their innovation needs to external companies. There are many innovation service companies around the world. Most of them focus on understanding their customers' needs and designing useful products and services.

They may be experts in digital design, service design, user interaction, industrial design, e-commerce, data analysis, artificial intelligence or any other relevant field. In addition, they may be public research centres or private consulting companies.

A n organization may choose to outsource its innovation needs to acquire serviceable **technology** or **knowledge** that it can combine with its own to come up with new value propositions. Therefore, as an indirect result of the innovation process, outside experts may end up on the organization's **ecosystem map**. When it comes to innovation processes, the reason for locating such experts is their potential to **combine assets**.

The need to hire external experts emerges most notably when developing prototypes. In some cases, organizations may have what it takes to make these themselves. However, in most cases they require external know-how and the collaboration of experts in different fields (for example, to develop an app or to build a physical model with the help of an industrial design team).

ACQUIRING KNOWLEDGE FROM START-UPS

S ince the start of the digital age, one of the most commonly used methods to innovate has been to acquire small companies with interesting value propositions. The idea is to take on the entire teams that make innovation possible.

This was the case with large IT companies, whose attempts at internal innovation were doomed to fail under their stifling productivity-oriented hierarchies. Innovation simply took too much time and energy, and employees did not find it stimulating or rewarding. Hence, it was much easier to bring innovation in from the outside by acquiring small companies, mainly start-ups. At the bottom line, that meant hiring their founders as well as the most critical staff.

N owadays, companies in other sectors, such as the pharmaceutical industry, mimic this successful strategy to fast-track innovation. They detect relevant smaller companies that bypass normal portfolios and disrupt the marketplace.

INCUBATORS AND ACCELERATORS

n recent years, many companies have begun to attract and nurture start-ups that are developing products, services or models that seem to align with their business. For example, a sports company trying to come up with new ways for customers to use its products may strike a deal with start-ups to get new ideas from a fresher perspective. In exchange, it takes those start-ups under its wing and nurtures them with some type of resource (various models exist).

n some cases, these incubators deal with individuals, rather than small companies or start-ups. It is a new way for companies to spot relevant talent.

O ccasionally, the main focus of this activity is on accelerating the smaller companies by connecting their capabilities (inspiration and effort) to real markets. Basically, the big company brings the market and the smaller one brings the ideas. This is where the feasibility of this innovation approach is generally called into question. Indeed, while connecting ideas to markets may seem promising, large companies and start-ups operate in very different ways. On top of that, managing intellectual property issues (who really owns the ideas) is no easy endeavour.

ENTREPRENEUR IN RESIDENCE

alfway between the internal and external solutions described earlier we find the **entrepreneur in residence**. This is a business person from outside the organization who is invited to spend some time with it.

ntrepreneurs in residence are bold risk-takers who know how to challenge the status quo. They may be entrepreneurs who have been successful in the past, and now, in this new phase, are asked to "infect" the rest of the staff with new mindsets and approaches. They are like undercover "**infectious agents**" whose disease is having an innovative attitude.

There are companies whose value proposition consists of providing client organizations with entrepreneurs who go in and boost innovation. Just take a look at what OneLeap does (http://oneleap.com/).

By bringing successful entrepreneurs into their clients' business, they create radical and practical new opportunities and solutions, spot rapid new paths to value creation, build innovation capability and deliver a powerful surge of new energy and momentum. They handpick each A-team from their global community of 1000+ successful entrepreneurs. Their blue-chip strategists amplify their work and translate it into a corporate context using their proprietary methods. This is driven by growing interest in the entrepreneur, in the "energetic and visionary" figure behind most start-ups, as a driver of innovation. Our experience tells us that it is very difficult to bring about innovation without an entrepreneur. Realistically, organizations are so comfortable not innovating that it takes someone with vision and energy to question the way things are done and instigate an innovation process.



INTRAPRENEURS

t may well be that there is no way to innovate without an entrepreneur. It is the entrepreneur that brings the energy, the determination, the "grit" necessary to turn an idea into a full-fledged project. Execution requires willingness and risk-taking, and everyday employees may find their participation in innovation processes overly cumbersome, career-risking or unrewarding.

That is why fostering the emergence of internal entrepreneurs, or intrapreneurs, is so key to the success of innovation. One of the main obstacles in this regard is the fact that typical recruitment policies prioritize qualities such as effectiveness and productivity over an "entrepreneurial attitude". There will be no innovation if companies fail to recruit creative and entrepreneurial people.

n the innovation arena we are seeing more and more companies stimulate and facilitate internal entrepreneurship. Tools like Adobe's Kickbox are also available to remove some of the hoops innovators have to jump through to pursue an idea, in this case by supplying them with a box of all the components needed to build a quick-and-dirty yet functioning prototype. There are even companies that hire out entrepreneurs to large companies, so that they can be infected by their innovativeness.

CORPORATE START-UPS

The idea here is for companies to encourage the emergence of homegrown start-ups led by their own staff, who are given new responsibilities and allowed to become partial owners of these new businesses.

The main difference between a start-up like this and its parent company is that the former's primary objective is to "find" its business model, determine who its customer is and test its value proposition in order to adjust it to its customers' expectations.

n this regard, corporate start-ups follow the so-called Lean Startup method. Start-ups have been defined in several ways. According to Eric Ries, "a start-up is a human institution designed to create a new product or service under conditions of extreme uncertainty". Thus, the search for novelty is key. According to Steve Blank, "a start-up is an organization formed to search for a repeatable and scalable business model". Once this model is found, the start-up becomes a "normal" company, which the author defines as "a permanent organization designed to execute a repeatable and scalable business model".

A nother critical component of start-ups is their focus on rapid growth. Hence, the United States' Small Business Administration describes a start-up as a "business that is typically technology oriented and has high growth potential".

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onsidering these core traits (i.e. the quest for a business model and fast growth), Eric Ries and fellow authors proposed a method to apply the "test, learn and iterate" model of successful start-ups to any company. The result, known as the Lean Startup method, is now used as a tool to pursue rapid innovation in "incumbent" (conventional) companies. Among the method's basic tools, we ought to highlight the MVP idea (developing a quick-and-dirty mock-up known as the minimum viable product or MVP), the useful "non-vanity" metrics approach (rapidly measuring feedback from real customers), and the continuous iteration of the proposal based on customer feedback.



CO-INNOVATION

A novel approach to innovation consists in exploring new products or services by combining the capabilities of two or more companies in different industries. By merging their ideas, market experience and teams, they increase their likelihood of creating disruptive new value for customers.

or example, a company in the fruit juice industry could combine its know-how with a company in the cosmetics industry to create a product similar to nutraceuticals.

ikewise, a company in the motor industry could innovate the manufacture of environmentally friendly car seats by engaging in a joint project with a food company.

S imilarly, an established bank could innovate its approach to dormant clients by making a disruptive proposal on saving energy costs using the services provided by a start-up utility.

CUSTOMER CO-CREATION START-UP ORBITALS

C ompanies can also innovate by engaging in joint activities with their customers. Either the company tests a new product with its customers, or the customers are asked to suggest potential new products.

ritical to this innovation approach is the availability of tools for rapid prototyping.

here are various co-creation methods. Some of them involve customers "voting" on the best proposals out of a series of ideas.

S ome manufacturing companies are developing cocreation schemes that combine their own designers, external experts and customers.

One of the advantages of co-creation is that the very same customers coming up with the ideas (or customers with similar traits) can also test them out, shortening the test-iteration process.

The model we call start-up orbitals is based on the conviction that innovation must take place outside a company's day-to-day work. However, rather than relying on innovation cells made up of internal and/or external volunteers, this model involves having a set of start-ups (i.e. smaller companies that are highly focused on bringing new business ideas to fruition) "orbit" around the organization.

S tart-ups can be a promising match for any organization, with the relationship between them proving advantageous for both sides. The underlying idea is that a stable organization usually has markets to satisfy, but its focus on current business often prevents it from developing new ideas for the future. The opposite is true for start-ups, which may have plenty of ideas but no market to sell them to (building a market is becoming increasingly expensive).

nstead of spending all their resources on securing a market, start-ups can strike a win-win deal with an organization that already has one. It is about creating a new innovation architecture by forging a cross-fertile relationship between a large company, which has a market, and a small company, which has ideas. We have called this model *ideas meet markets*.

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A good example is the BMW Startup Garage (https://www.bmwstartupgarage.com), which seeks to partner with start-ups that have an innovative technology, product or service that can make a contribution to its business in the automotive industry (manufacturing, services, etc.). Start-ups that respond to this international call and prove their worth are welcomed into the "garage", beginning their relationship with BMW. "I won't buy you, but I'll use you as a supplier" is the message the company seems to convey. The idea is to harness the energy of outside innovators, but the relationship and the launch of new products to the market is reserved for BMW.

TWO SIMULTANEOUS OPERATING SYSTEMS

ohn Kotter proposed an interesting idea on how organizations can combine the exploitation and exploration sides of their business.

e determined that, while most companies start as a sort of network connecting a very small number of people (mainly their founders and first employees), they tend to become a hierarchy as they grow and start needing processes that bring efficiency and productivity. However, such hierarchies seem to kill innovation, since their main (and sometimes only) focus is making the most out of the current business portfolio.

Therefore, his proposal is that organizations run two operating systems simultaneously, one with a typical hierarchy to keep the current business going (exploitation) and another to look for new business opportunities (exploration). The latter network is made up of volunteers who are willing to help spot and build the products and services of the future. While they do have a day-to-day function within the hierarchy (and they receive a salary for it), they commit to taking part in ad hoc cells in the network to become better professionals (a horizontal career move rather than a vertical one).

HOW TO RUN A WORKSHOP TO DEVELOP MODELS

This tool fosters group discussions on how best to approach an organization's innovation strategy. First, present the map of the most common innovation models. With the map open, briefly explain the basic characteristics of each model.

N ext, break the participants into smaller groups. Ask them to discuss the map and rate each model in terms of its feasibility in the company, its impact on results and, more specifically, its impact on results in the medium term. They should use a Likert scale from 1 to 7 to rate each aspect.

O nce they have determined the top three most promising models for the company, each group should write up a brief report justifying their decision: which models they have chosen, how they scored and why they feel they should be implemented by the company.

inally, have the groups present their conclusions to everyone. A facilitator should take note of the scores given by each group, following a 3-2-1 scheme: 3 points are given to the top model, 2 to the next and 3 to the last. The result will be a final, consensus-based ranking of the models. This offers a "snapshot" of what the members of the organization consider to be the best "path" for implementing innovation in the organization.

T his path can finally be drawn on a template provided with the tool. On this template, you may also preview a timetable of what could be the progressive approach to implementing innovation in the organization through the chosen models.



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Founded in 2000, under the brand Infonomia, the Institute of Next supports processes of innovation in organizations through:

- The stimulation of management teams to think in the mid-long term,
- The development of practical tools and methodologies of innovation,
- The management of transformation projects in the organization based on systematic innovation
- The dissemination of a culture of innovation based on the publication of documents (articles and books) and materials, and the delivery of workshops and conferences about innovation and business transformation

At Institute of Next we encourage our clients

to explore and execute transformations in their "business operating system" that make them more efficient and resilient through a fastest and most effective response to the opportunities that emerge in the market **in the medium and long term**.

From the conviction that

if an organization does not think 10 years from now, in 5 years it may no longer exist.



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ON+ INNOVATION

Observatory of **new ways** to innovate



