

How to Meet the Breakthrough Innovation Mandate

by Ted Farrington and Lucio Pieroni

More and more R&D executives today hear the same message from their CEOs and Boards of Directors, and it goes something like this: *"We have become very good at incremental innovation, but we need bigger, more breakthrough innovations to meet our growth targets."* Often, the first reaction is to announce the formation of a new breakthrough innovation (BI) team within the company, but these attempts usually fail to meet expectations and are often shut down completely within five years. Many end up as part of a hybrid model, where external resources are used to fill in the gaps.

To meet the breakthrough innovation mandate, leading companies start with an honest assessment of the unique challenges to building an internal team, and then design a hybrid model intentionally from the start. I emphasize "honest assessment" because many companies struggle to do this objectively by themselves.

There are many challenges when creating a BI team within a company that already has a fully functioning incremental innovation engine. Here are a few to consider as part of your honest assessment:

Culture

Almost every organizational trait that makes a well-tuned incremental operating unit function efficiently is exactly the opposite of what is required for successful BI! Type of innovation, risk profile, value proposition, role of leadership, and talent management are entirely different for a successful breakthrough versus incremental innovation organization. While cultural issues can take years to surface and hopefully be resolved, they often come up first as the firm considers how much to integrate or segregate the breakthrough team from day to day business. Physical separation doesn't seem to matter as much as cultural independence. Folks in new BI teams often feel like some bacteria invading a host, as the organizational antibodies kick in. And this is normal. *How will you cultivate a breakthrough innovation culture?*

Transition to the Business Unit

New BI opportunities often land between or outside the firm's current business units and may require new business models. The form a BI takes (big new product innovation for example) may not play to the strengths of the business unit (which may traditionally grow by acquisition). So making the BI seem like normal business to the business is important. Also, consider that business unit R&D is usually fully loaded delivering the current business plan; no one is sitting around waiting for a BI to happen. One successful model we've seen here is to have business unit executives as active members of the BI governing board. This gives the business units skin in the game, and helps transition the negative NIH syndrome from "Not Invented Here" to "Now Implemented Here." *How will you build a BI team that collaborates seamlessly with existing business units?*

Inability to Envision Markets that Don't Exist Today

Most companies have a good understanding of what their consumers and customers need today and in the near term future; this comes from consumer and customer intimacy. But the time required to deliver BI often exceeds the firm's time horizon for this understanding. So they need a robust enough view of the future to envision opportunities that cannot be identified by talking with current consumers and customers. Strategic foresight methods, including scenarios, can help here. *How will you incorporate a view of the future?*

Infrastructure and Innovation Capacity

We've all heard the saying "Every organization is perfectly designed to get exactly the results it gets." Nowhere is this more apparent than when trying to grow an internal BI capability. Because of the nature of its work, a BI team can create five times the requests for the legal department per year as a business unit innovation team of the same size, for example. If a company decides to invest \$10MM in BI, some of those funds need to be spent on infrastructure to support the new team, not just the team itself. *How will you invest in infrastructure?*

Incubation

Solving a technical challenge or inventing something new is just the beginning for a successful new BI. Determining how best to deploy that development is called incubation, and most companies spend way too little time in this phase as this is largely a business analysis process. Are there alternative products, services, channels and even business models that should be considered to have the biggest impact for the company? Many successful breakthrough innovations go to market in entirely different ways than originally envisioned at the project start. Yet companies often rush the BI out as quickly as possible, through the easiest path possible, often turning a really big idea into a little one.

How will you incubate new breakthrough innovations?

Sustainability

The most important day in the life of a new BI team is the day when the senior executive sponsor moves on. By then the team must have had several successful initiatives, and it must be clear that those could not have happened without the new team. Having survived this critical time, long term sustainability becomes a matter of balance. What is the right balance of resources devoted to BI versus business support for incremental innovation? The answer varies by industry and the company's growth model. There's a better chance that the BI strategy will be sustainable if it is clear how BI aligns with and contributes to the business strategy. There also needs to be balance between the internal BI efforts and external BI pursuits. When times are tough, BI can be one of the first budgets to be cut or eliminated. Keeping BI alive during these times is much easier if there are external programs to throttle back until budgets return to normal. *How will you plan ahead to build a sustainable breakthrough innovation engine?*

Other challenges include:

- Identifying the right leaders and team members for BI
- Understanding that Project and Portfolio Management for BI are different
- Identifying breakthrough ideas in the first place
- Treating BI as a management system

The reality is that building a new BI capability inside a company is risky; and the risk is mostly organizational, not technical, in nature. Management needs to do an honest assessment to be able to anticipate and proactively deal with these challenges, maximizing the chances of creating a sustainable BI engine. And by being open and honest about these issues up front, companies can design a hybrid model with the right balance of internal and external resources deployed based on their strengths and capabilities.

More Reading

[Delivering Breakthrough Innovation – How to Put Theory Into Practice](#)

[Breakthrough Innovation: Failure is the Only Option](#)

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