

INSIDE LARGE ORGANIZATIONS

The Innovator



Challenges & there are many more

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1. Existing PPE structures, systems, procedures, incentives, policies, etc. are toxic to ALB
 - ❑ Standard procedures and classic metrics, particularly financial, cripple venturing into the unknown
 - ❑ Slow decision making (multi-level, multi constituent...)
 - ❑ Silos and sequestration from actual customers
2. PPE cultures are particularly hard to address and are often insidious and crippling of ALB, even if innocently so.
3. How to plan and manage change to an ALB-friendly organization is in and of itself an unknown.

Advice for the Entrepreneur Inside

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- What is the short list of things to be sure to do or not do as an EI – things that would be out of the ordinary for the existing enterprise?

Guidelines for Innovators

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1. Know when to use ALB
2. Desire
3. Maintain awareness of Current Reality
4. Smart Steps
 - ▣ Act Quickly with the Means at Hand
 - Act quickly and quietly
 - Don't fall prey to planning too much (except for Acceptable Loss)
 - **What are you going to do next?**

Guidelines for Innovators

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1. Know when to use ALB
2. Desire
3. Maintain awareness of Current Reality
4. Smart Steps
 - ▣ Act Quickly with the Means at Hand
 - ▣ **Acceptable Loss**
 - Reputational Capital
 - ...of your boss

Guidelines for Innovators

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1. Know when to use ALB
2. Desire
3. Maintain awareness of Current Reality
4. Smart Steps
 - ▣ Act Quickly with the Means at Hand
 - ▣ Acceptable Loss
 - ▣ **Bring Others Along**
 - Enrollment is very critical
 - Freedom to Operate – Sufficient Autonomy
 - Managed Disclosure

Guidelines for Innovators

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1. Know when to use ALB
2. Desire
3. Maintain awareness of Current Reality
4. Smart Steps
 - ❑ Act Quickly with the Means at Hand
 - ❑ Acceptable Loss: Reputational Capital
 - ❑ Bring Others Along: Enrollment and Managed Disclosure
 - ❑ Build on What You Find
5. **Other Items**
 - ❑ Career Path and being perceived as “crazy”
 - ❑ Don’t predict the value (or money)
 - ❑ Avoid getting nailed down to a timeline
 - ❑ You are your boss’s coach. Be mindful of his/her Acceptable Loss.
 - ❑ Join/Form a Tribe

Guidelines for Innovators - Summary

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- Act exactly as you would if you were on your own as an entrepreneur. Be clever and looking for innovative ways to work within the bounds of your own (and your organization's) Acceptable Loss.
- You generally can't convince your organization to create a new structure.
- Simply through your own thinking and action and by the results you produce
- You will get other people to think differently, and you can have enormous impact.

Advice for the Manager of the Entrepreneur Inside

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- What is the short list of things to be sure to do or not do in managing the EI – things that would be out of the ordinary for the existing enterprise?

Guidelines for Managers of Innovators (in the unknown)

Neither exhaustive nor complete

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1. You are not the Innovator
2. You don't have to care about the idea.
You do have to care about the innovator
3. You are not the boss.
You are a coach or thinking partner
4. Insure projects support the business imperative or mission of the organization.
5. Manage Acceptable Loss: theirs, yours and the firm's. Make sure they prove themselves with actual results. Manage organizational expectations and PR for them.
6. Don't pretend to know when you don't. Or can't. Become adept at experiment design and insuring Validated Learning.

Guidelines for Managers of Innovators (in the unknown)

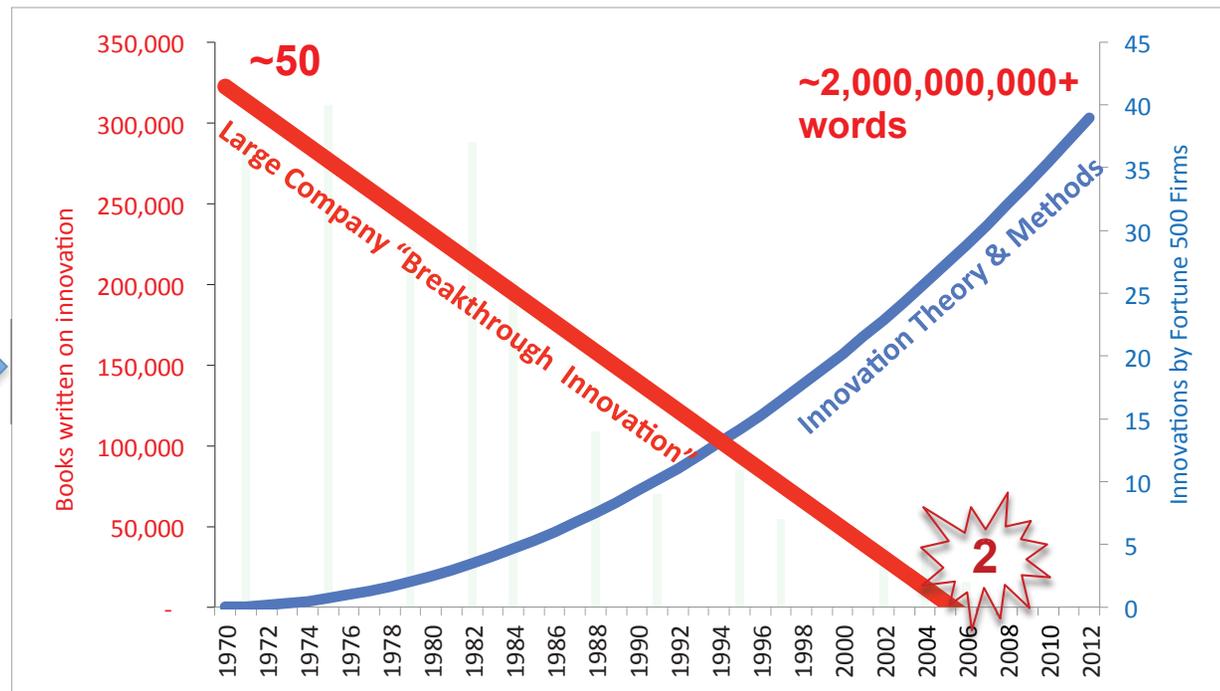
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7. Legitimize and cheerlead. But not too much.
8. Insure the presence of desire. Only volunteers!
9. Help navigate the organization system
 - Fly air cover. E.g., get policy exceptions, etc. Create Sufficient Autonomy
 - Bring Others Along. Lend your reputational capital
 - Discuss Undiscussables
10. Become adept at knowing when ALB is appropriate
11. Help build a Tribe
12. Be trustworthy

Implosion of Large Organization Innovation

- In 1970 approximately **50** of the worldwide top 100 innovations came from Fortune 500
- In 2006 it was only **2**

It's a simple point



*Where Do Innovations Come From? Transformations in the U.S. National Innovation System, 1970-2006 Fred Block and Matthew Keller
Information Technology & Innovation Foundation July 2008

Returns on transformational innovation

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- “Companies that allocated about 70% of their innovation activity to core initiatives, 20% to adjacent, and **10% to transformational outperformed their peers** (P/E premium of 10% to 20%)”
- Core innovation efforts typically contribute 10%; adjacencies contribute 20%; and **transformational efforts contribute 70% of the long-term, cumulative return on innovation investment**
- Not a magic formula. Will vary from company to company.

Nagji and Tuff Harvard Business Review May 2012

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