

Developing innovative organizations

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Developing innovative organizations

A roadmap to boost your innovation potential

Benoît Gailly

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Brilliant and experienced colleagues and peers, first at McKinsey & Company and later at the Louvain School of Management, have nourished our ideas, challenged our opinions and provided numerous illustrations and arguments.

The publications of international scholars in innovation management, quoted throughout this book, provided a second pillar upon which the book rests. They are the authors and influencers of many of the core concepts used in the following chapters, and this work would not exist without their contribution.

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BENOÎT GAILLY

ABOUT THE AUTHOR

At present Benoît Gailly holds the post of Professor in Innovation Management and Strategy at the Centre of Research in Entrepreneurial Change and Innovative Strategies (CRECIS) of the Louvain School of Management, Université Catholique de Louvain (UCL), Belgium. He has a Master's degree in Engineering, a Ph.D. in Applied Mathematics, a Master's in Technology Studies and a Master's in Business Administration (INSEAD). His main research themes are innovation capabilities and innovation support systems, from both a policy and a business point of view.

Before working at UCL Benoit Gailly was a consultant and manager at McKinsey & Company. At UCL he held the Puilaetco Chair in Management and Financing of Technology Innovation, and was the president of the Technology Transfer Board. Benoit Gailly is also the co-director of the University Executive Education Programme in Innovation Management.

Since 1995 Benoit Gailly has been working as a board member, advisor, facilitator or expert regarding the development of innovation management capabilities for start-ups, international corporations and policy-makers. He has also been a board member of several high-technology firms, of the Belgian Federal Investment Fund, of the Brussels Regional Investment Fund and of the Technology Support Board of the Walloon Region.

His clients include international corporations in the glass, chemicals, financial, petrochemicals, ICT, pharmaceuticals, raw materials and electronics sectors and the European Commission, as well as numerous high-tech start-ups and academic spin-offs.

What the book is about

This book is about the capabilities organizations must develop if they want to grow and compete in innovation-intensive environments. Combining insights from leading academic research and experienced practitioners with concrete examples from international companies, it provides a systematic framework to understand what is innovation, why it matters, how it can be managed, and how it can help organizations to reach their objectives.

This book is not about selling one single big idea or concept as the universal solution to all innovation problems. It is about providing managers with pragmatic and rigorous structures and tools, which allow them to deal more successfully with an innovation-intensive environment.

To whom the book is dedicated

The book is dedicated to the *captains* and *coaches* of innovation. The *captains* of innovation are the men and women leading innovative projects or initiatives within their organizations, sometimes building entire new businesses out of them. They are the leaders, the entrepreneurs of innovation. They realize that the success of their project will depend upon their ability to understand the context and networks in which they operate, to mobilize and align resources, and ultimately to make change happen.

The *coaches* of innovation are the managers and consultants who aim at creating within their organization or region the conditions for innovation to thrive. They are the innovation champions, facilitators and instigators. They understand that traditional “plan–do–check” approaches to management or economic development are not sufficient to compete in innovation-intensive

environments, and that innovation means much more than creativity or research and development (R&D).

The book is also dedicated to management graduates and junior managers who want to enrich their management skills, experience and toolkits in order to become successful innovation captains and coaches.

Finally, the book is aimed at helping all the victims of the numerous myths that prevail regarding innovation, such as:

- innovation is *per se* a good thing, for all businesses, all the time;
- innovation means, first and foremost, being more creative and coming up with something completely new; and
- being more innovative always implies spending more on R&D and generating more new ideas.

What you will get out of the book

- A structured and systematic way to understand and tackle innovation management challenges, from a business-oriented and pragmatic point of view.
- A clear view of what innovation means from a business point of view, and why it matters.
- A roadmap to identify and develop the capabilities organizations need to manage innovation effectively.
- Key insights and tools derived from the latest academic research, consulting firms' publications and practitioners' experience.
- Concrete examples from a wide range of industries and regions.

What you will *not* get out of the book

- A survey of the latest creativity and brainstorming techniques.
- Step-by-step recipes or one-size-fits-all formulas pretending to provide universal solutions for the innovation challenges you face.

- Philosophical debates about what qualifies as an innovation and what does not.

Structure

In Part I we review what innovation means and entails from a business point of view (Chapter 1), and then discuss why and how much it should matter for firms. We conclude by outlining the capabilities firms should therefore develop (Chapter 2).

In Part II we review the core innovation capabilities firms should develop and maintain in order to manage innovation effectively and turn it into a source of competitive advantage. We first discuss the strategic role of innovation (Chapter 3) and the importance for the organization to build entrepreneurial resources (Chapter 4). We then detail how firms can develop and improve the way they proactively identify a continuous flow of opportunities (Chapter 5), the way they systematically assess which opportunities would create a balanced portfolio (Chapter 6), and how they can capture those opportunities in a dynamic way (Chapter 7).

The table presented below outlines the key issues managers dealing with innovation must manage (first column). We map these with the key concepts (second column) and selected innovation tools (third column) presented in the book.

What innovation is (Chapter 1)

Making sense of it	More than creativity More than inventions	<i>Definition of innovation</i> <i>Newness is relative</i>
Managing change	Managing diffusion Managing disruption	<i>Factors of adoption</i> <i>Disruptive innovation</i>
Defining the scope	Delivering new offers and in new ways Managing small and big changes	<i>Product and process</i> <i>innovations</i> <i>Incremental and radical</i> <i>innovations</i>

Why it matters (Chapter 2)

Understanding why it matters	Analyzing megatrends	<i>The new economy</i>
	Analyzing industry trends	<i>New challenges</i>
Analyzing what it means for organizations	Fostering the entrepreneurial process	<i>Scan, assess and implement</i>
	Steering the entrepreneurial process	<i>Strategic vision and entrepreneurial resources</i>

Innovation strategy (Chapter 3)

Designing a corporate innovation strategy	Defining the corporate scope	<i>Exploration versus exploitation</i>
	Defining how much to innovate	<i>Drivers of innovation strategy</i>
Designing a business innovation strategy	Defining innovative value propositions	<i>First mover (dis)advantages</i>
	Defining innovative value chains	<i>Strategic innovation</i>
	Aligning strategy and innovation	<i>Innovation postures</i>

Entrepreneurial resources (Chapter 4)

Nurturing entrepreneurs	Identifying entrepreneurial traits	<i>Role models</i>
Managing innovative teams	Analyzing entrepreneurial behavior	<i>Entrepreneurial activities</i>
	Fostering entrepreneurship	<i>Drivers of intention</i>
	Setting up innovative teams	<i>Handling diversity</i>
Building innovative organizations	Developing innovative managers	<i>Stretch versus stress</i>
	Understanding innovation metrics	<i>New mindsets and new businesses</i>
	Fostering an innovation culture	<i>Entrepreneurial orientation</i>
	Dealing with size	<i>Ambidextrous organizations</i>
Managing innovative ecosystems	Designing innovative structures	<i>Corporate venturing</i>
	Understanding the innovation systems	<i>Innovation support mechanisms</i>
	Leveraging innovation networks	<i>Open innovation</i>

 Proactive deal-flow (Chapter 5)

Exploiting the sources of innovations	Understanding that R&D is not enough	<i>Sources of innovation</i>
	Combining technologies and needs	<i>Push and pull</i>
Harvesting corporate knowledge	Fostering organizational learning	<i>Gatekeepers</i>
	Handling knowledge management	<i>Absorptive capacity</i>
	Managing intellectual property rights	<i>Pros and cons of patents</i>
Harvesting external opportunities	Harvesting the market	<i>Value gap analysis</i>
	Harvesting entrepreneurs	<i>Corporate venture capital</i>

 Balanced portfolio (Chapter 6)

Assessing innovation	Business planning	<i>Business planning cycle</i>
	Assessing why (strategy)	<i>Sources of differentiation</i>
	Assessing what (business model)	<i>Offer and value chain design</i>
	Assessing who (human resources)	<i>Governance structure</i>
	Assessing how much (finance)	<i>Key value drivers</i>
	Valuing an opportunity	<i>Net present value</i>
Integrating uncertainties	Managing known unknowns	<i>Sources of uncertainties</i>
	Running sensitivity analysis	<i>Monte Carlo simulation</i>
	Running scenario analysis	<i>What you need to believe</i>

 Nimble execution (Chapter 7)

Managing innovation projects	Building an ambidextrous organization	<i>Effectuation</i>
	Managing the portfolio	<i>Balanced portfolio</i>
	Handling adaptive management	<i>Stage-gate process</i>
Implementing innovation process	Managing stages	<i>Stage examples</i>
	Managing gates	<i>Gate examples</i>
	Dealing with decision biases	<i>Why we get things wrong</i>
