

# CORPORATE INNOVATION

HOW DO ESTABLISHED COMPANIES INNOVATE BY BUILDING NEW BUSINESSES?

## Strategic Challenge for Managers

Managers in large, established companies need to protect the legacy of their existing business, perform in the present and innovate to remain relevant in the future. This strategic challenge requires managers to simultaneously respond to the demands of current customers, while exploring emerging business opportunities in unfamiliar markets with new technologies.

Sustaining their existing businesses, however, requires efficiency and commitment, while building emerging businesses thrives on experimentation and flexibility. Balancing these often contradictory innovation activities forces managers to develop appropriate organisational resources, structures and capabilities.

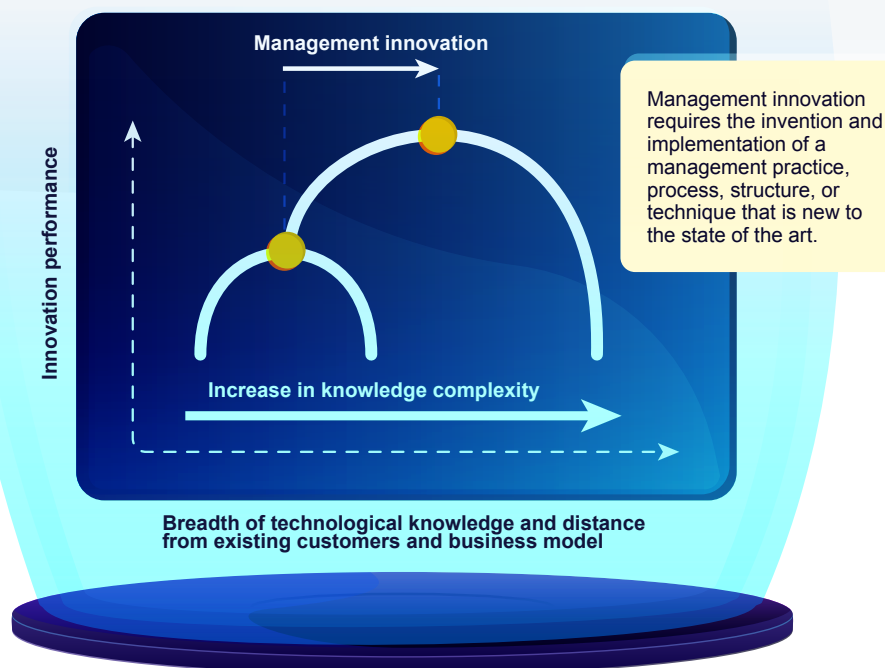
*Innovation for Emerging Businesses = Technological Invention x Business Model x Management Innovation*

## Innovation as a Management Challenge

Moving from existing technologies and business models towards new emerging businesses requires both technological, business model and management innovation.

Innovation requires recombining diverse knowledge resources, which yields initial increases in performance, yet recombining extreme levels of knowledge breadth, such as inter-organisational, interdisciplinary collaboration, can lead to increased costs and decreased reliability of innovation outputs.

Thus, this increasing knowledge complexity requires management innovation (e.g. new practices, processes and structure).



## What do we know about how to manage innovation in emerging businesses?

1. Separate teams focus on improving core business and on exploring emerging business opportunities.
2. Different types of innovation activities require different innovation processes and key performance indicators.
3. Innovation teams systematically scan the peripheral environment, emerging technologies, as well as unusual business models from different industries and unconventional customers.
4. Broad collaboration with multiple actors from the innovation ecosystem is important.
5. An environment supportive of autonomous and entrepreneurial actions is created, with willingness to embrace uncertainty and contradictions between old and new.
6. Investment into a portfolio of emerging businesses is implemented in a disciplined and staged manner.
7. Simple rules to manage complex and uncertain innovation processes enable organisations to stay flexible.



# 7 PILLARS OF CORPORATE INNOVATION





## Strategy for Emerging Business

### *What is the role of core expertise and markets in emerging business?*

Consider the distance between the core technological expertise, existing markets and exploratory innovation. This distance can be broadly understood as the level of discontinuity with the core technological expertise, business models and innovation ecosystem.

Managers will choose between:

- **focus vs diversified exploration**  
Focus exploration on a well-defined growth area vs concurrently exploring multiple growth areas
- **competency destroying vs competency enhancing**  
'New technologies and business models make existing ones obsolete' or 'New technologies and business models can be combined with existing ones'
- **organisational separation vs integration**  
Balancing separation and integration between business units that are focused on emerging and existing businesses



## Market Creation and Portfolio Building

### *How to develop a portfolio of emerging businesses?*

- Establish independent innovation units to explore emerging businesses and create a dedicated leadership unit to integrate relevant resources from across the organisation
- Align emerging business areas with the overall technology, R&D strategy and corporate venturing capability
- Market creation should combine unique technological expertise with understanding of future end users



## Corporate Entrepreneurship

### *How to organise for corporate entrepreneurship?*

- Use different criteria and processes to evaluate and explore entrepreneurial opportunities that are aligned with strategic areas, compared to less aligned opportunities with significant growth potential
- Create different career paths for corporate entrepreneurs
- Commit enough resources to reduce dependency on other units from the organisation



## Culture

### *How does culture help in creating new businesses?*

- Create and disseminate stories of past and current innovation successes to inspire and celebrate participation in innovation activities
- Leverage company history and identity as a strategic resource to assert a leadership position within a nascent market
- Integrate values and practices from unfamiliar cultural environments such as art or sport



## Openness and Collaboration

*How to collaborate with multiple parties for emerging business?*

- Use an inclusive approach to formulate the strategy for emerging business
- Integrate insights from heterogeneous partners across multiple innovation initiatives and develop guidelines for best collaborative practices
- Deploy large-scale demonstrators to facilitate collaborative experimentation with multiple partners to bolster understanding of how value is generated and shared within an emerging ecosystem



## Management Talent

*How to nurture management talent to drive innovation in emerging businesses?*

- Treat innovation management as a professional role with a distinct body of knowledge
- Support the development of leadership and social skills to inspire participation and collaboration among multiple and diverse partners
- Communicate innovation opportunities across hierarchical levels



## Business Model and Platforms

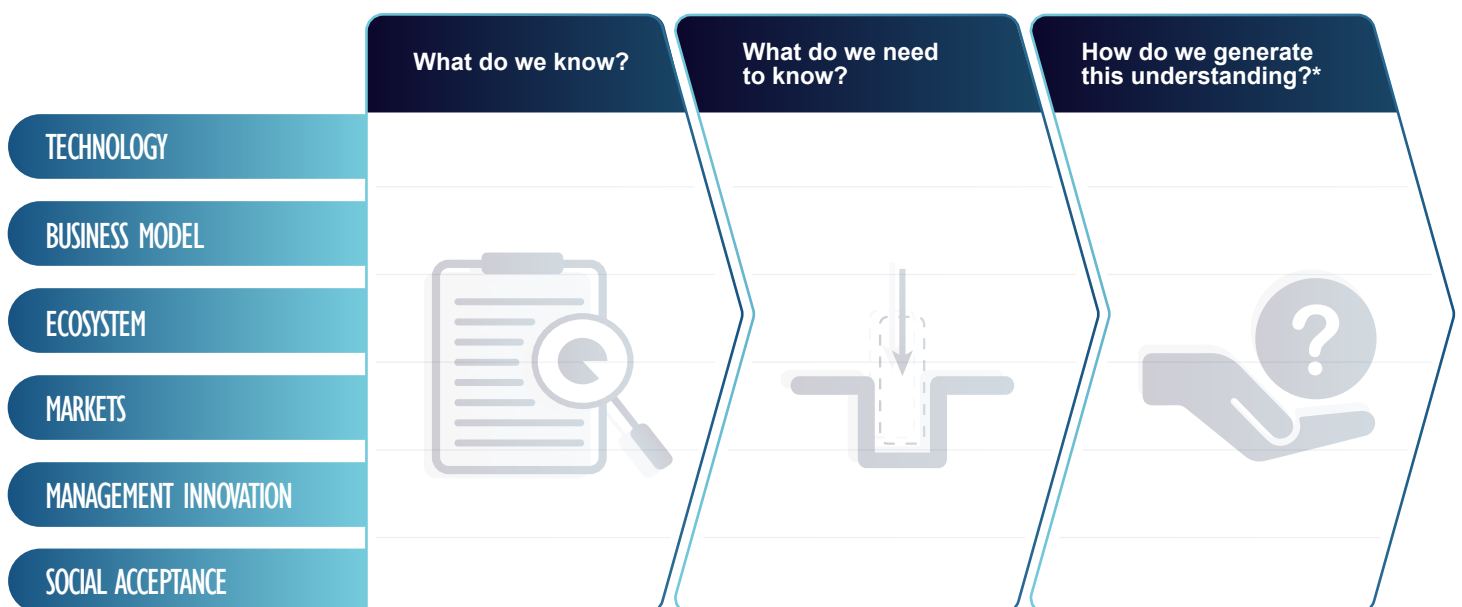
*How to create and orchestrate a B2B digital platform?*

- Selectively leverage the existing network of customers to create the user or the complementor side of the platform
- Collaborate with partners that have established a network of users or complementors to develop a platform ecosystem
- Transform core technological expertise to differentiate the platform in the emerging ecosystem

# The Innovation Puzzle of Emerging Businesses



## Generate Understanding for Solving the Puzzle of Emerging Businesses



\*By experimenting with different solutions and adopting them based on observed results. Experiments could and will fail, but as long as it informs the generation of new solutions, failure should be tolerated and even encouraged.



# Assessing Organisational Capabilities for Innovating with New Businesses

A. Integrating resources across the organisation to support creating new markets and corporate entrepreneurship				
	<input type="checkbox"/> Low	<input type="checkbox"/> Medium-low	<input type="checkbox"/> Medium-high	<input type="checkbox"/> High
<i>Supportive elements</i>	Low	Medium-low	Medium-high	High
Roles & Talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes & Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources & Tools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B. Creating bespoke technology, market and industry intelligence to support formulating and implementing the strategy for emerging businesses				
	<input type="checkbox"/> Low	<input type="checkbox"/> Medium-low	<input type="checkbox"/> Medium-high	<input type="checkbox"/> High
<i>Supportive elements</i>	Low	Medium-low	Medium-high	High
Roles & Talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes & Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources & Tools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Creating platform business models and orchestrating a platform ecosystem				
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<i>Supportive elements</i>	Low	Medium-low	Medium-high	High
Roles & Talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes & Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources & Tools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Collaborating with multiple unfamiliar partners in nascent innovation ecosystems				
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<i>Supportive elements</i>	Low	Medium-low	Medium-high	High
Roles & Talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes & Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources & Tools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

E. Deploying large-scale demonstrators to facilitate collaborative innovation with multiple stakeholders in the creation of new markets				
	<input type="checkbox"/> Low	<input type="checkbox"/> Medium-low	<input type="checkbox"/> Medium-high	<input type="checkbox"/> High
<i>Supportive elements</i>	Low	Medium-low	Medium-high	High
Roles & Talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes & Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources & Tools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

F. Evaluating, selecting and growing internal ventures				
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<i>Supportive elements</i>	Low	Medium-low	Medium-high	High
Roles & Talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes & Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources & Tools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

G. Learning from multiple successful and unsuccessful entrepreneurial ventures				
	<input type="checkbox"/> Low	<input type="checkbox"/> Medium-low	<input type="checkbox"/> Medium-high	<input type="checkbox"/> High
<i>Supportive elements</i>	Low	Medium-low	Medium-high	High
Roles & Talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Processes & Structures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resources & Tools	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>