

A Valen Group Study:

# Designing and Executing a Healthy Innovation Strategy



A growth strategy is *critical* to drive a robust innovation strategy.

**Drive solution creation by leveraging the right mix of people, process and environment.**

## Designing and Executing a Healthy Innovation Strategy

Business leaders always look to make better decisions on defining and driving an innovation strategy to support their growth strategy. However, defining and executing an innovation strategy well is not easy. That's why many companies, including Top Fortune 50 companies and market leaders, are stumbling to drive innovation and falling short to deliver on their innovation goals.

As a strategy firm we believe that a good growth strategy is critical to drive a robust innovation strategy. A key benefit is in guiding the decisions of senior management regarding the allocation of the right and needed resources to innovation and, more importantly, engaging the product and technology development leadership in a better understanding of what product or service is needed and why. Our analysis of what's working and not working in designing and executing a good Innovation Strategy identified the following pitfalls:



**The *killer issue* is when the innovation strategy gets hijacked in return of short-term and less meaningful deliverables which, at best are incremental, driven by the need to provide “market news”.**



**Define an Innovation Strategy that delivers business objectives for growth by first understanding the company’s vision, growth goals business strategy, and the business issues at hand.**

- **Wrong balance of innovation mix.**  
A typical innovation strategy would consist of a mix of core business innovation and transformational innovation. Transformational innovation sometimes may break out highly experimental innovation whether business model or technical discovery based. Each type of innovation contributes a certain percentage to growth objectives and uses a proportionate percentage of resources. While the percentages vary, the majority of resources are typical in core business innovation. This mix, however, could vary by business category, growth needs, competitive challenges, geographies, and other factors. The killer issue is when the innovation strategy gets hijacked in return of short-term and less meaningful deliverables which, at best are incremental, driven by the need to provide “market news”.
- **A lack of a deep understanding of the target consumer.** This is the selected consumer with whom the brand’s Points of Difference and product benefits resonate best and mean the most. A good understanding of consumer segments, consumer insights, and customer insights is essential to deliver successful innovation.
- **An inadequate understanding of internal innovation capabilities.** This is because the focus tends to be on the innovation process itself without taking into consideration two other critical factors, the right mix of people and the right environment which hugely influence the innovation outcome.
- **A lack of discipline in driving an inherently chaotic process.** This is because the approach to product innovation should be open to creativity away from organizational roadblocks which risk to limit learning and experimentation. Studies show that companies who engage broadly inside and outside their organization to collaborate on innovation are growing at a faster rate than their peers.

Data must be presented in a way that executives can believe and understand what research can and cannot promise, e.g. predict, in outcomes.

## To address and preempt these potential issues

our approach to drive an Innovation Strategy that delivers on objectives must include the following elements:



- **Innovation principles.** They provide a framework and a discipline for what is in and what is out, including success metrics that are critical to secure organization alignment and assess progress towards delivering against objectives. We find our model of a “contract for success” engaging stakeholders create ability for teams to sustain innovation efforts and not be arbitrarily cut-off based upon short-term financial results or market fluctuations.
- **Free-up underperforming resourced projects.** Organizations have the best intentions to allocate resources (i.e. budget, people, assets) to the highest use but have difficulty separating the current business funding “inertia” from decision-making. It is critical to identify and separate funds to allow for current business resourcing while allowing for strategic funds to be identified and used for future growth. We utilize our Strategic Funds Management approach to do this by identifying funding/projects that are stuck in the middle (not really helping compete in core business nor helping fund innovation or new strategic opportunity). This process provides management insight to make decisions to disband low value projects and to move resourcing to more strategic, current/future needed initiative to allow for growth and innovation. It is ideal to reset the way budgeting works to better tie the budget to strategy where there is typically a gap and chocking out critical resources for growth, change or transformation of an organization or business unit.
- **Superior consumer understanding.** It is critical to identify the critical needs for target categories among target consumers and strategic consumer segments and focus a lot more on the clarity of the problems rather than solutions. We find the first hurdle is bringing trust back into the research process. Teams have presented data almost as predictive fact. Our model of research is based in learning and explaining the predictive nature of results. Data must be presented in a way that executives can believe and understand what research can and cannot promise, e.g. predict, in outcomes.



**INNOVATION**  
HAS TO BE  
ITERATIVE  
BECAUSE IT IS A  
CYCLE BUILT  
AROUND  
UNDERSTANDING,  
IMPLEMENTATION,  
AND  
OBSERVATION.

- **Strategic targeting through consumer segmentation.** A clear definition of the target consumer leads to more accurate choices and a more actionable translation of these choices to guide an innovation strategy that is actionable and in line with the business strategy. We find utilizing business perspective is critical to the process and cannot be demoted to research without this business or strategy perspective.
- **Benefit domains.** The principle of domain driven innovation based on segmentation differentiating benefits drives a robust and sustainable pipeline of ideas and technologies. Delivering against each of the chosen benefit areas turns into a 3 – 5-year innovation roadmap versus an ideation or single-concept approach common in short-term innovation “event” type work. Impactful innovation is a long-term process based upon a roadmap not separate annual sessions.
- **Clearly defined degrees of freedom.** The degrees of freedom allow some flexibility from a brand and a product standpoint but keep the product experience intact. Brand extension strategy work is a common way we find to define these degrees of freedom and create an innovation roadmap.
- **Reliable innovation metrics.** They determine if the innovation process is truly effective. Such metrics help in setting clear expectations, managing effectively the “what” not the “how”, and efficiently reporting progress to stakeholders.
- **Innovation Pacing.** This part of the Innovation Strategy and is intended to maximize the impact of each initiative and create synergy across initiatives, turning the pipeline into streams of initiatives that are well coordinated and well leveraged.
- **Alignment to what the Product Innovation Strategy will not do.** An early alignment and agreement to what the organization will not engage in doing is important in driving focus and productivity.



# The Valen Group

At the Valen Group we have worked for over 20 years in growth and innovation strategies serving clients who are leaders in innovation. That experience and sole focus shape our philosophy and comprehensive view in what organizational factors are important in innovation. We have assembled and use a set of proven best practices that meld the best from entrepreneurs, practice, and academia from the fields of creativity, problem

solving, market research, consumer and customer insights, and product development. We have experience in developing the next new product or service to fill a growth pipeline need or engaging in transformational innovation developing new business models or new ventures for step-change growth.



## Better Solutions for Sustainable Growth

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