

TLA, Corporate Innovation Customer Centricity

1.0 Innovation Models

We had identified a number of Corporate Innovation Models in common use today:

1. Dedicated innovation team - Full time employees dedicated to innovation programs.
2. Innovation centre of excellence - Cross-functional, multi-disciplinary groups to share knowledge throughout the company.
3. Entrepreneur program - Rather than rely solely on external programs, internal employees are given a platform and resources to innovate.
4. Open innovation: Hosted accelerator or corporate incubator - Hosted inside a corporate office, large corporations invite startups to embed their physical locations and provide funding, Corporate support and other perks.
5. Innovation tours - Corporate leaders tour innovative organisations to discover trends in various industries to learn from speaks and be inspired as they immerse themselves in innovation culture.
6. Innovation outpost - A dedicated physical office, such as in Silicon Valley, staffed with corporate innovation professionals whose job is to track what is occurring in a market and integrate programs back into the Corporate HQ. An innovation outpost is typically managed by employees unlike an External Accelerator, which is run by a third party.
7. External accelerator - Corporations partner with 3rd party accelerators to provide sponsorship and/or funding in exchange for relationships with startups and integration opportunities. Corporate innovation professionals often embed themselves in Accelerator offices. These are run by third parties – unlike Innovation Outposts, which are managed by employees.
8. Technology education, university partnership - Corporations can tap into new graduates, early-stage projects and companies, and the network of an established educational institution.
9. Investment - Many corporations place bets among the startup ecosystem, with both small amounts for early-stage startups and larger amounts of corporate funding that yield market data, create opportunities for follow-on investments, and block competitors.
10. Acquisition - Rather than build innovation from the inside, many corporations acquire successful startups and then integrate. While often expensive, the startup is often already successful, and the acquisition can help the startup scale further.

Following the session we agreed that there were some additional thoughts we should consider. One model noted that should be present is the possibility of trying to create a dedicated team in order to create a specific product or solution. Trying to create an agile team of digital people and focussing on a specific product feature or product. The group noted that customer co-creation is an activity often missing in corporate innovation initiatives. However, the group also highlighted that in practice, customer research is expensive to do comprehensively and well and so as a result the customer insights used to inform innovation activity can be superficial.

Together we also agreed that innovation needs to make up the DNA of any team, and that corporate should focus more on ROI as part of innovation instead of it purely being a marketing exercise as is apparent in most corporates.

Innovation activity with a purpose to achieve an impact on the company beyond incremental change, will require a long-term approach to measurement, in terms of how its contribution to core business metrics is quantified. The innovation project, by its nature, is also likely to challenge the established conventions in the company for business performance measurement and so new metrics may need to be developed as the innovation project evolves. As a result, many companies rely on quantifying the benefit of an innovation activity in terms of its value as a marketing initiative (e.g. contribution to brand and profile). Viewing innovation projects in terms of their marketing value provides a helpful way to assess their reputational value in demonstrating the agility of the company. They also provide a means of demonstrating value in the short-term. However, they don't tell the whole story and so the corporate shouldn't fall into relying on them solely as a means of evaluation.

2.0 Qualitative Research

The Tech London Advocates Corporate Innovation Group undertook qualitative research in order to take insights on customer centric innovation. This allowed us to form 3 different hypothesis which were then expanded on during our session.

2.1 Observations from research

1. Customer centric innovation is still reactive. Most use marketing function as main links to customers - instead of innovation team with direct engagement with customers.
2. Model deemed most successful was Open Innovation used alongside a dedicated innovation team.
3. No industry wide recognised best practices for measuring innovation success or benchmark for innovation functions.

2.2 Hypothesis

1. Innovation function needs own P&L, different measures of success and multi discipline / skilled group (a counter point was provided to this, that in fact you cannot give innovation P&L responsibility until it is ready, otherwise it will kill innovation).
2. Fail fast but few want to discuss publicly and share learning
3. Growing need to look at wider 'societal' issues and develop an innovation community and partnerships beyond a single company to solve the really complex problems

A challenge we discussed with delivering true business value is that businesses have to do a lot of failing along the way, and this can take time. As a result, the business will focus more on marketing metrics as they can demonstrate short term value and keep the business engaged. This is how innovation programmes quickly become about marketing metrics as it

keeps the funding moving and lights on for that program. It's suggested that an innovator can take an incremental approach to demonstrating value back to the business engaged.

We finalised this section of discussion on a topic suggestion that innovation doesn't necessarily have to be exclusively about new product development. It can also be about renewal and retiring old products. Therefore it is also important to think about tying the innovation activity to a particular business unit to own.

3.0 Interactive team session

We asked, where does the customer really fit in Corporate Innovation?

3.1 Team A

Team A were to discuss and recommend best practices for customer centricity within an existing innovation model or combination of models.

As a starting point, team A focused on 'speed to client' and the process of

Idea - Design - Develop - Scale

1. First we must act on customer insight, don't just talk to customers but act on it. As an example engage with things you hear that you don't like or that doesn't fit with your world view.
2. Talk to actual customers, not just execs.
3. Don't just fail fast but get to cash fast too. At the early part of the innovation process, expensive ethnographic work should be done to develop ideas, that should flow into the design phase, but have it start to taper down and start increasing the evidence and data-based work, e.g, getting to market sooner and getting people to pay for it. With this said, not everyone in the room agreed with this view. There was a sense that while an idea, to become an 'innovation' needs to deliver some quantifiable value, too much focus on getting to a financial return early will result in a potentially transformative idea being diluted into something much more incremental focused on delivering short-term revenue.

The main take away from this group was that innovation needs to show value, and fast. If the product is not making money, then it will not secure further funds and essentially fail where the innovation team should then move on.

3.2 Team B

Team B were to discuss and develop a new customer centric innovation model

There was a strong debate in Team B about the relationship between the customer and their wallet. A more holistic approach to innovation where you take a look at someones life and see how you can positively impact that from an innovation standpoint. You do this by looking at the problems that have not been solved in the world, people as people not simple as customers. As a result this will help us better understand what they need rather than what they want.

3.3 Team C

Team C discussed how to define the customer and what do we mean by the customer?

The first question tackled was, how do we define the customer and who do we mean by the customer?

Team C suggested that on one hand you are often given a customer and have to work out what to do to help them. In a large company, a big change in the company can result in small perceived change for the customer, but within the value chain it creates a lot of benefit back to the business.

It was also stated that often the most leverage happens away from the customer. In other words, often the impact is far from the measurement of it.

4.0 Conclusion

The conversation yielded several ideas to explore further around effective models for customer co-creation, the need to balance the practical with the aspirational in terms of the level of customer collaboration that's possible and the way in which customer insights are gathered.

The Tech London Advocates Corporate Innovation Group will continue to explore this area to devise a model for customer co-creation.