

We hear a lot about whole industries being disrupted by newcomers to the market and how customer centric design of goods and services is fundamental to success. More often the interaction, and sometimes lack thereof, between Startups, Scaleups and Corporate Enterprises is playing a vital role in who will make it and who will be the dinosaurs left behind. It's an endlessly fascinating story being played out as technological advancement opens a world of new opportunities.

As part of our volunteer work with Tech London Advocates, we wanted to explore:

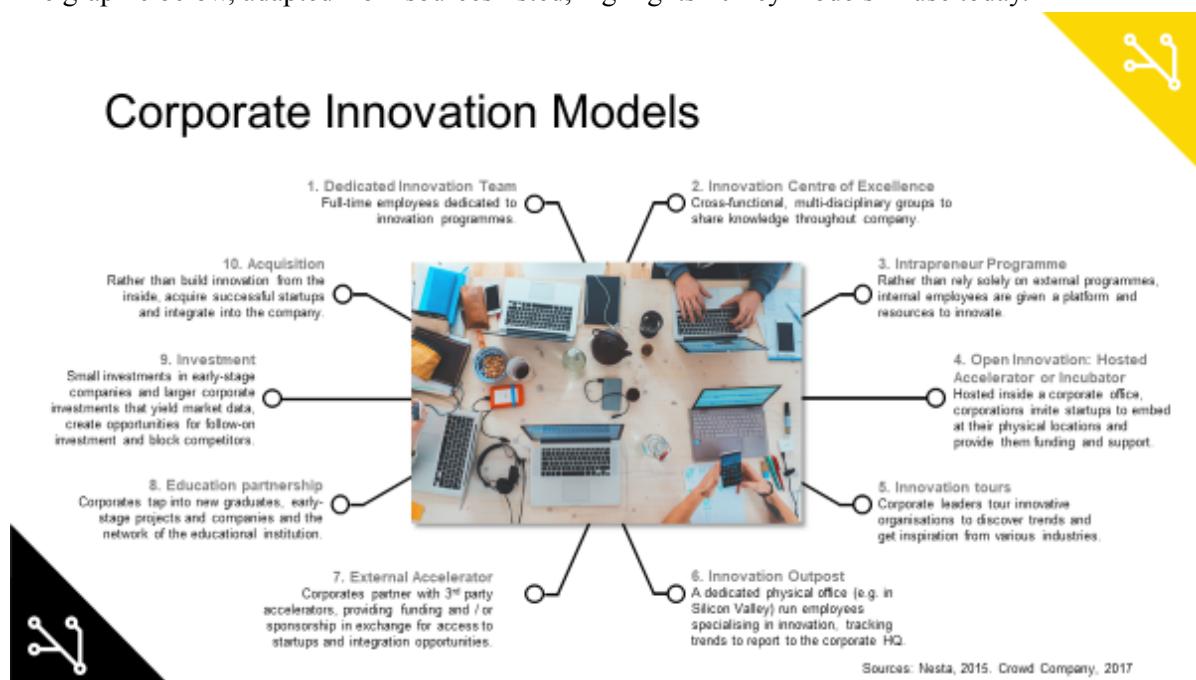
- 1) what models are being used to drive UK Corporates innovation journey
- 2) how effective they think their innovation models are
- 3) how involved customers really are in the world of ‘customer centric’ innovation

We wondered if there is an optimal Customer Centric Innovation model that could be used to drive higher success and what that might look like. Yes, it was a sizeable chunk of work we bit off and this paper is our story of where we ended up. Wherever you or your company are engaged along this path, we hope you find it useful.

Step one- research, research, research! We reviewed innovation case studies online, a plethora of thought leadership articles and supplemented this with our in house designed Customer Centric Innovation questionnaire which asked selected corporate and innovation leaders their experiences.

We conducted a total of 15 surveys between 2019 to 2020, mostly with Heads of Innovation in Corporate Innovation (CI) in Fortune 100 companies in the range of industries like Energy, Cybersecurity, Technology, Retail, Healthcare, Insurance, Banking and the Public Sector. The size of organization range from staff strength 1500 to 300,000 with turnover ranging between 100k to 75bn businesses.

The graphic below, adapted from sources listed, highlights 10 key models in use today.



Step two- Our top 3 Observations

What we found is there are multiple models being used in different combinations on corporate innovation roadmaps and with mixed success. Interestingly, on the point of what does success look like, we found a real tension between traditional management measurements like ROI & KPIs versus the time and freedom needed to create and innovate. With innovation being new and inherently higher risk (you don't know what you don't know), there are fewer measures that were perceived by the innovation teams as being useful.

Here's our top 3 observations:

1. The Innovation model deemed most successful was a hybrid of Open Innovation used alongside a Dedicated Innovation team. Individually, each of the 10 Innovation model is not a compelling solution nor do they produce the desired outcome of Corporate Innovation. They may be simpler to execute (more of a tick box exercise) but many companies have not seen the desired outcome which is seeing the direct results of innovation becoming integrated into their main business.
2. Almost all companies claims they have a good level of customer engagement in their innovation process, albeit not directly. Most companies interpret customer centricity as the role of their marketing department, somewhat separate from the innovation process and one to be engaged with later down the innovation process. Customer Centricity is still seen as the job of the Marketing department, not the Corporate Innovation arm. And the impetus for change is usually driven by the entry of new technologies or convergences of technologies which has a direct or indirect impact resulting in new products & services that disrupt their markets/industries. The Corporate Innovation department is also not connected to their CIO/CTO team which makes integrating new solutions to their main business difficult and fraught with obstacles.
3. The challenge of delivering true business value through innovation is that it involves multiple trials and failures and it can take time for quantifiable (e.g.: ROI, Revenue, Customer LTV etc.) business results to materialize. As a result, to justify the existence of Corporate Innovation, many will focus on marketing read metrics (e.g. Brand awareness, brand association with innovation, social media exposure, etc.) to demonstrate short term value to business stakeholder's and keep the business engaged. But the risk is the innovation programme then becomes all about the marketing metrics. Therefore, the challenge is to demonstrate value back to the business through an incremental approach and engaging with the C-suites to bring them along the Innovation journey to win and maintain longer standing support.

Having consolidated these survey feedbacks, we brought our learning to a Roundtable discussion in July where several Heads of Innovation from large corporations gave half their day to debate, discuss and brainstorm solutions. Here's the outcome of the discussion.

Here's our top 3 hypothesis

1. In order for Corporate Innovation (CI) to make Customer Centricity its driving force, the CI function needs to own its' P&L with different measures of success and populated with a multi discipline/ skilled team with full empowerment to work directly with the customer. This can be a 6-month to 12-month project measured against a value-based outcome. The company can "kill" or "progress" the innovation initiatives according to a mutually agreed upon measures of success. By introducing this fail fast approach to innovation, it reduces corporate risk aversion and encourages iterative innovation with customers at the center of focus.

2. There is clearly a need for a clear industry benchmark or measurement which can help inform companies if they are innovating in the right quartile of success. Companies are currently not measuring Innovation success beyond using traditional quantitative metrics like ROI, KPI, shareholder value, revenue generation. They are not taking into consideration value based innovation which measures the rate of innovation (i.e. cycle time to run a full experiment from ideation to a successful measurement of value delivered) and percentage of “Kill Rate” (i.e. the speed of killing off projects/experiment/initiatives that falls below the value based innovation percentile). It is also recognized that there is perhaps a wealth of information/learning that is not captured from all the “failed” innovation projects that could add to the rate of success of new ones. No companies want to talk about their “unsuccessful stories” but all recognizes that it’s important to learn from them. Therefore there is a need for a change in culture and process to recognize failure a positive outcome and to embrace a fail fast, innovation friendly culture.

3. There is also a growing need to look at wider ‘societal’ issues and develop an innovation community and partnerships beyond a single company to solve really complex problems (e.g.: Future mobility involving Electric, Shared, Connected and Autonomous vehicles etc.). There are also several industries converging and bleeding into each other (e.g.: Energy, Renewables, Fintech, Healthcare, IoT & Consumer etc.). There is clearly an appetite for creating a non-competitive environment for large corporations to convene, in order to understand and articulate common challenges they are facing, create collaborative approaches to co-create pilots and trials that a single entity alone cannot solve. That’s another ingredient in creating a customer centric innovation that is truly for creating progress that benefits society, individuals and businesses alike.

Conclusion

We conclude by saying that whilst there are a number of customer centric innovation models available that fit different organisations, we have not identified one model that is appropriate for every scenario. Indeed, creating a single model of perfect fit may be an impossible task. All organisations, regardless of their size have many different aspects, issues, stakeholders and other variables that a different model might be required for each. With that said, it might be that an original customer centric innovation model can be used and slightly adapted for each organisation, we have learnt through our conversations with corporates across London that the hurdles in customer centric innovation are all similar and overlap in someway therefore a ‘core’ model that is adapted for each organisation could exist. In order to identify this, we would want to review case studies from different organisations to see where the similarities lie in their past success stories. By evaluating how corporates have utilised their models in successful innovation projects will allow us to identify the similarities and produce this ‘core’ customer centric innovation model.

More on this to come soon..

What do you think, do you think there can be a core customer centric innovation model or do you think different organisations are so fluid that they need to find a model that uniquely suits them?