

INNOVATION WHITE PAPER # 01

How can organisations innovate profitably?

Aligning execution, governance, and change

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FOR a long time innovation has been considered a matter of luck, something that magically happens when the right creative minds meet. I do not share that belief.

What is innovation, anyway? I consider it to be *something new that creates value*.¹ That would mean that:

- Newness without value is invention.
- Value without newness is improvement.
- Newness and value together are innovation.

Now that we have the same understanding of innovation, we can discuss how organisations can innovate profitably.

The Profitable Innovation Trinity

I argue that the key to profitable innovation lies at the intersection of the following three elements:²

- doing innovation efficiently,
- managing innovation effectively, and
- changing organisation appropriately.

Above three elements are not separated with some imaginary hard boundary between them, but are rather interwoven and codependent. It would be more accurate to think about it as if the whole is present in each part and each part is distributed throughout the whole.³

In other words, all three elements are equally important and mutually reinforcing. An apt visualisation would be a cross-section of a rope or woven cable (see Figure 1).

Doing innovation

Doing innovation is much more than brainstorming ideas and capturing them on colourful

post-it notes. That's the easiest and most trivial part! Executing them is the real challenge.

Discerning thoughts from ideas, uncovering assumptions, continuously learning about them and systematically reducing risk, iteratively transforming idea into a product, service, or business, taking it to market and scaling it...

How you do all of the above has direct implication on how efficient your innovation processes are.

Managing innovation

Managing innovation is about creating clear directions and making investment decisions. It is also about having appropriate meeting places, decision arenas, measurements and control mechanisms.

Coherent innovation strategy and portfolio approach are paramount to reduce the risk of investing poorly. Funding and measuring innovative initiatives require a different set of metrics—for example amount of validated learning and reusable knowledge created to date.

Effective governance should result in the best possible investments with whatever resources and knowledge you had at the time of making an investment decision.



Figure 1: The Profitable Innovation Trinity

Distinguishing between doing and managing innovation

A simplified distinction is that *doing innovation* is primarily concerned with creating value for the customer, while *managing innovation* is all about creating value for your organisation.⁴

While the former is all about *how to transform an idea into capital*, the latter is all about *how to align, focus, and control* innovation projects, teams, and initiatives throughout the organisation.⁵ Figure 2 offers simple visualisations to help you differentiate between the two.

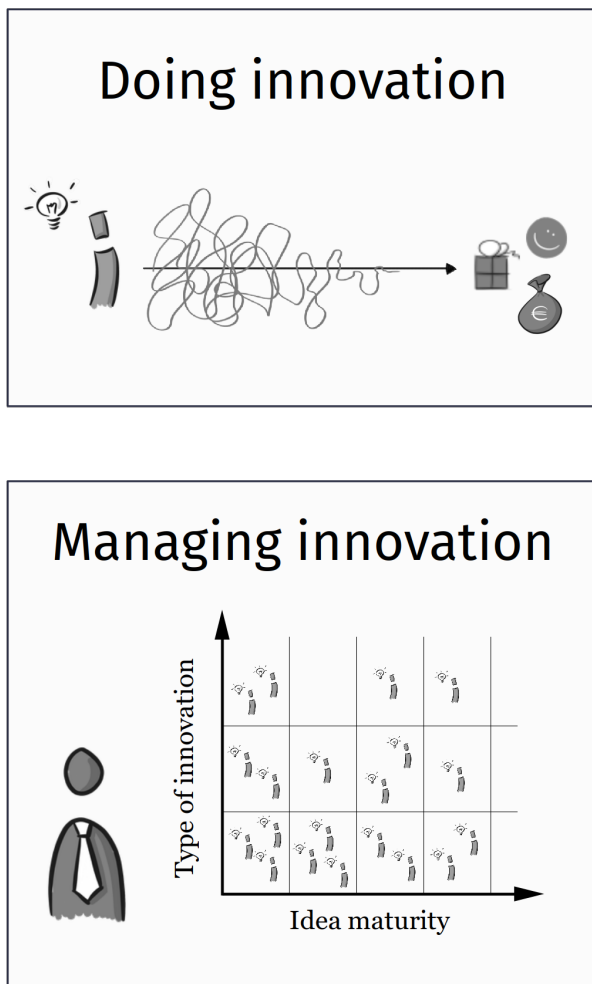


Figure 2: Doing and managing innovation

Changing appropriately

By solely focusing on *doing* and *managing* innovation you are running a high risk of creating an impressive amount of waste. If the organisation itself is not adapting appropriately⁶ then

the initiatives that are becoming ready for scaling might be organically rejected. Although it might seem counter intuitive, improving a little across multiple fronts is more sustainable than improving a lot on a single front.

Conclusion

In martial arts there is a concept called *striking-three-points-at-once*. When going in for a throw, three points need to be forced out of balance at the same time. If you apply excessive or inadequate force to any of these three points, then the throw will either fail or won't be as strong as it can be.

The same concept can be applied here—if organisation wants to improve the profitability of their innovation efforts, then they must orchestrate and improve across all three dimensions of the Profitable Innovation Trinity at once, one step at a time.

Notes

1. Value creation must be two fold: (i) external, helping the customer do something better, and (ii) internal, making a positive contribution to the bottom line.
2. Notice the verb–noun–adverb structure of all three elements. They aren't here just for stylistic reasons.
3. To read more on hermeneutic circle, authentic and counterfeit wholes, I recommend Bortoft, H. (2012). *Taking appearance seriously: The dynamic way of seeing in Goethe and European thought*. Floris.
4. I cover this in detail in the *Corporate innovation 101: advice for intrapreneurs and innovation managers* webinar. You can access the recording at www.pesec.no/corporate-innovation-101-advice-for-intrapreneurs-and-innovation-managers
5. Innovation is rife with uncertainty and ambiguity. No outcome is guaranteed. What's completely within our control is how much money and time we spend pursuing it. Controls have to be carefully selected to avoid accidentally stifling creativity.
6. Appropriately does not necessarily imply uniformly since different parts of the organisation might operate at a different pace.

About Bruno Pešec

Bruno Pešec helps business leaders innovate profitably.

He is one of the rare innovators who can claim that he has worked on a regulation-defying freight train and an award-winning board game for teaching entrepreneurship and innovation.

With ten years of experience in different industries—including defence, manufacturing, education, entertainment, and financial services—he has delivered projects that had positive impact on GDP of several countries, succeeded and failed inventing and innovating, and overcame a number of problems and challenges with no obvious solutions.

In addition to his corporate experience with brands like DNV, DNB, and Kongsberg Group, Bruno is deeply involved with the global entrepreneurial community. He co-founded Norwegian Lean Startup Circle, Norway's largest Lean Startup community, and Founder Institute Norway, the world's premier idea-stage accelerator and startup launch program. He often

serves as a mentor and judge at various accelerators, incubators, and events across the globe.

He has been a passionate practitioner of martial arts since 1997. In 2008 he joined Genbukan World Ninpo Bugei Federation and Kokusai Jujutsu Renmei Federation, traditional martial arts systems focused on the self-defence of the spirit, body, and mind. He currently holds the title dojo-cho (school owner and teacher). Grandmaster has named his dojo (school) Konpeki, meaning the **deep dark blue**, such as the colour of strong blue sky of summer sunshine.

Bruno regularly publishes articles, whitepapers, case studies, ebooks, webinars, and podcasts on innovation, strategy, and entrepreneurship—which can be accessed for free at www.pesec.no.

Write to bruno@pesec.no to discuss how Bruno could help you grow the business and achieve your ambitions.

