QUALITIES FOR SUSTAINABLE INNOVATION

With the pace of change escalating rapidly in today’s digital age, companies are under more pressure than ever to innovate. They can do so by reshaping their organizations, adapting their products or redefining their services to meet evolving customer needs. Researchers have found that successful innovators tend to share certain traits that make success more likely, if not inevitable.

McKinsey & Company recently completed a multi-year study on innovation with more than 2,500 executives in 300 international companies. This in-depth research found that inventive companies tend to possess eight essential qualities in varying degrees that form an “operating system” for successful, sustainable innovation. Here’s a summary of those traits:

1. **Aspire** — A far-reaching vision needs to be inspiring, yet realistic enough to be achievable. A quantifiable innovation target for growth enables managers to include innovation investment in their business plans. This target should cascade down through the organization through performance targets and project timelines, and all levels should include performance measurements for innovation to stay on track.

2. **Choose** — McKinsey & Company found that many companies don’t suffer from a lack of new ideas, but from difficulty in determining which ideas to support and develop. It is essential to develop a framework for the opportunities to be explored and to prioritize ideas, weighing investment against potential value. Some companies choose to pilot a portfolio of ideas and then narrow down the field to those most promising. Once the best opportunities are identified, a clear governance process for assessing expected value, timing to implement and associated risks can be applied to prioritize initiatives.

3. **Discover** — Finding that “sweet spot” where a customer need meets new technology and the opportunity to generate income is often the goal of business innovation. This may require the generation of differentiated, actionable insights into what customers will need next and discovery of new technology or approaches that address those needs. McKinsey & Company found that this discovery process is iterative, one that benefits from the use of prototypes to help the company learn and refine its ideas.

4. **Evolve** — Business model innovation is a key part of the process, especially for established companies that must be nimble enough to re-invent their businesses before technology-driven upstarts do. Many do this by funding new ideas, re-evaluating their business model in the value chain, incubating pilot projects and experiments away from the core business, and stress-testing new value propositions and operating models against the actions of competitors.
5. **Accelerate** — Sometimes it pays to break the rules, especially when corporate bureaucracy or cautious governance threatens to shut down innovative ventures. Pilot project leaders may judiciously bypass early approvals to foster new ideas. It’s also beneficial to test prototypes with customers early on, which can lend credibility when internal pressures threaten to slow down innovative ventures that show promise. Cross-functional collaboration also builds support across the organization for new ideas.

6. **Scale** — Companies need to consider the potential magnitude and reach of a new idea early in the process to ensure that appropriate resources are allocated and risks are addressed. Once an idea takes off, rapid upscaling of production and delivery may be necessary to meet quality and delivery expectations. This is where a framework for innovation can serve to support production and delivery through the company’s established manufacturing and distribution channels or new outlets.

7. **Extend** — Many companies have found that the best approach to innovation isn’t through a closed system — it pays to find external collaborators who can provide flows of talent and knowledge not readily available internally. The process of reaching out for the skills and talents of others speeds up innovation, yields higher returns and uncovers new ways to create value, both for the company’s customers and for its collaborative partners.

8. **Mobilize** — Companies often feel challenged to find ways to embed innovation into their corporate culture. This process starts with aspiration, but goes beyond simply setting the tone at the top and hoping it trickles down. Successful companies have found that their aspirations for change and innovation must be firmly connected to their strategy and performance. When financial targets are set and markets are targeted, everyone becomes more focused and a part of the initiative. Innovation then becomes real, as the entire organization and its employees all play a part in its future success.

To discuss these topics in more detail, please contact your PNC Relationship Manager.