



The Importance and Challenges of Radical and Other Major Innovation

Radical and other major innovation creates the wealth of future generations and leads to sustained growth and prosperity for companies. Companies that pursue more radical, game-changing paths have consistently outperformed competitors focused on incremental improvements due to their ability to reshape markets and industries. However, there are very few companies that have been able to sustain this reinvention process over many years.

Why is this so?

Approaches to radical innovation are often ad hoc and unsystematic. As people move on, the learning is lost. There is no organizational system in place to capture the learning and develop the competencies as well as establish the leadership principles and managerial practices, which are required for sustained success. In addition, companies have repeatedly tried to apply incremental innovation management approaches to highly uncertain ventures and have consistently failed. There is a high cost associated with this failure – higher return yet riskier opportunities do not make it to market, careers are damaged and companies lose their competitive advantage or even meet their demise.

How does this happen?

Well-intentioned leaders do not understand why radical and other major innovation has to be managed so dramatically differently from incremental innovation or, even if they do grasp this fundamental principle, they do not know how to go about it. Leadership development is inevitably required to enable leaders to provide direction under different business paradigms.

Major innovation or investment opportunities can create organizational havoc, if not implemented effectively. In fact, left unattended, it can seriously harm an organization and set individuals up for failure. Many companies have poured millions of dollars into higher uncertainty investment opportunities that do not succeed. Most of the failure results from the managerial processes surrounding the project rather than an inability to overcome technology hurdles or understand markets. Then, in frustration, firms retreat from these 'speculative' investments.

In viewing these significant potential costs, it appears more prudent to not do this at all than to do it ineffectively, however, this must be balanced against the long term risks of doing nothing. In the end, most companies discover that the key to success is to do this well by making an investment in innovation or internal venturing competency and capability development.



How to overcome this serious management dilemma?

A study of ten Fortune 1000 companies identified seven management challenges that must be overcome and new competencies that companies must have to be successful. These challenges are the foundation of a new management framework that transforms the pursuit of these higher uncertainty opportunities from an unpredictable model to a system and embedded infrastructure that guides companies through the uncertainty to reduce the risk of these major investments in innovation. The seven challenges are:

1. Capturing breakthrough ideas and converting them from the reservoir of technical knowledge into compelling business opportunities.
2. Managing radical innovation projects in a chaotic environment with no pre-determined end point.
3. Learning about unfamiliar new markets by using market probes to learn as quickly and inexpensively as possible.
4. Building the business model through a value chain discovery process to uncover the most appropriate path to market.
5. Bridging resource and competency gaps by pursuing a resource acquisition strategy and developing an entrepreneurial mindset.
6. Accelerating the transition from R&D to operations by understanding the characteristics of and expectations associated with transition readiness.
7. Acknowledging the importance of individuals in driving major innovation.

Very few companies have people in place with the right competencies to carry this out. Companies do not train individuals on how to deal with ambiguity, manage multiple dimensions of risks, recognize opportunities, develop business concepts, manage complex stakeholder relationships, engage in market learning and develop other competencies that are unique to the highly uncertain terrain of major innovation.

Often, companies underestimate what it takes to be successful at commercializing higher uncertainty internal venturing projects. Leaders make unreasonable requests of individuals who are not equipped with the necessary skills. Leaders themselves do not know what to do and are secretly hoping that someone will come up with the right solution. When the moment of truth arrives, the individuals invariably do not meet or even understand expectations that were inappropriately set in the first place. Inadvertently, they were set up for failure.

Significant competency and capability development is required to ensure radical and other major innovation initiatives are successfully implemented in companies. This is a complex and challenging process. Due to the magnitude of the change requirements, this must take place at all levels within the organization to ensure everyone understands the expectations and becomes comfortable in their roles. Again, major innovations create a new paradigm that calls for new leadership principles and managerial practices.