How to 'Frame' Corporate Innovation

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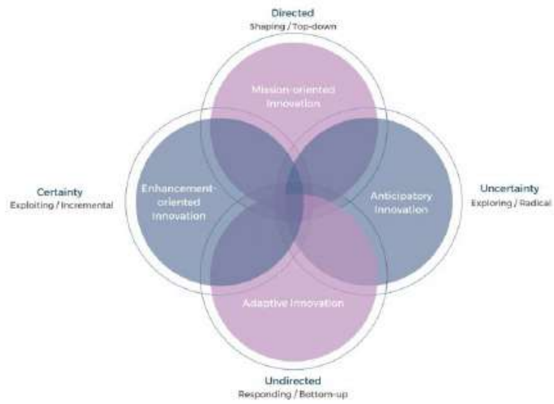
Good afternoon, my name is Brett Peppler, the Managing Director of Intelligent Futures Pty Ltd.
Before returning to management consulting in the middle of this year, I worked as an Executive Manager in corporate innovation at Suncorp Group for the last 6.5 years.

This afternoon, I want to share some of the lessons I learnt in framing corporate innovation. By framing, I mean the design, management and execution of the innovation agenda. I'm going to focus on three points: 1) the importance of framing; 2) the distinction between supply-led innovation and demand-led innovation; and 3) the elements needed to frame corporate innovation.

Let's look firstly at the importance of framing corporate innovation **…**

Tensions in Corporate Innovation



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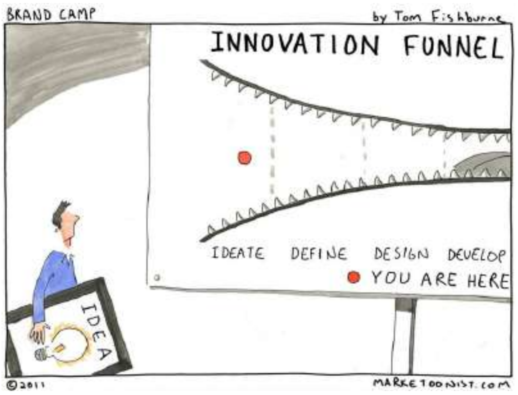
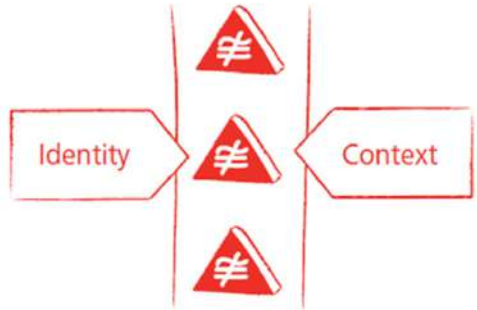
Corporate innovation agendas are <u>pulled in many directions</u> – each able to generate discrete competing programs of work - but invariably they are at the mercy of business as usual (BAU) imperatives, which favour product and process innovation around the business of today.

These competing tensions need to be corralled, to remove *ad hoc* decision making in the innovation agenda, and ensure innovation initiatives remain aligned with strategic business objectives in time, and over time. I call this process of corralling competing tensions '<u>framing</u>' corporate innovation.

Next, I want to <u>highlight the distinction</u> between supply-led innovation and demand-led innovation models **…**

Supply-led vs Demand-led Innovation





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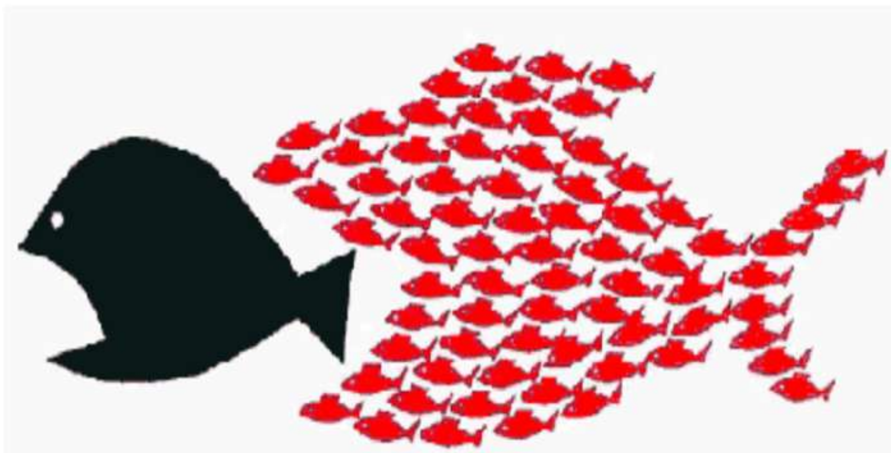
Supply-led innovation relies on idea generation to fuel an innovation pipeline. In practice this model tends to privilege short-term thinking, incrementalism, fuels a bias for often-ill-informed action, and iterates on the business of today rather than the business of tomorrow. Ideas are necessary but not sufficient to frame corporate innovation. In the face of growing disruption, corporations cannot incrementally change their way into the future, one good idea at a time.

Demand-led innovation relies on the pull of the future to fuel a wider innovation agenda, in particular, by identifying the incoherencies that arise as we try to push the business of today into the operating environment of tomorrow. These incoherencies are sources of disruption that act like canaries in the mind-shaft, signalling where attention is needed to renew our business model thereby connecting today's decision making with the business of tomorrow.
Demand-led innovation relies on three elements to frame the innovation agenda; strategic risk, innovation portfolio, and innovation pathways.

Let's now look at this first framing element – strategic risk **…**

Frame by Strategic Risk



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The incoherencies I mentioned earlier in the demand-led innovation model tend to cluster into strategic risks, which are distinctive for each corporation. For example, a large financial services company reliant upon revenue from car insurance might cluster incoherencies such as declining car ownership, increasing use of shared mobility services and subscriptions, as well as the emergence of safer autonomous vehicle technology into a strategic risk called ‘Mobility’.

Strategic risks are much more significant than operational risks because they represent a fundamental mismatch between what we do, the customer and community need for it, and the circumstances in which that offer can be meaningfully delivered.

However, these sources of disruption can also be the seeds of our reinvention if we can effectively learn about them and harness them.

The <u>next framing element</u> of demand-led innovation is the innovation portfolio **…**

Frame by Innovation Portfolio

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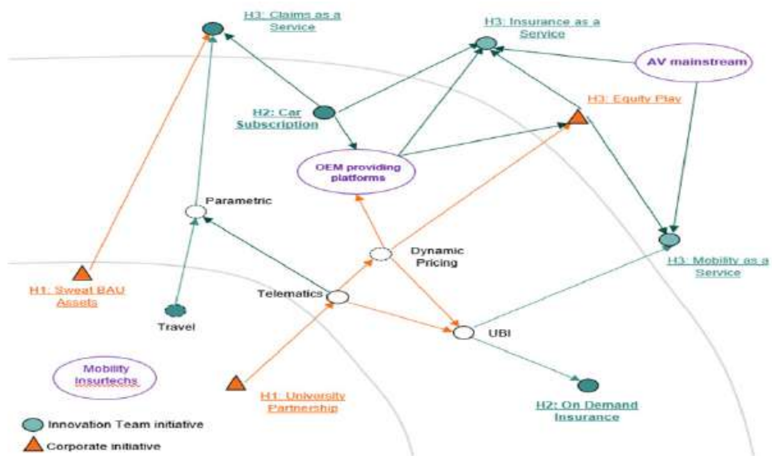
The innovation portfolio is a strategic asset, able to focus and accelerate our learning about relevant <u>structural changes</u> in the external environment that give rise to <u>strategic risk</u>. The portfolio comprises a diverse range of <u>strategic options</u> balanced across the landscape of strategic risks we are confronting. Importantly, the innovation portfolio is not a suite of start-ups hoping that something pays off. The strategic options range from experimental products and services to participating in research cooperatives, and collectively, represent a strategic asset for the corporation.

The innovation portfolio buys us <u>decision space</u> by offering early warning through key insights about the nature and dynamics of structural change, the materiality of strategic risk, emerging value pools, and the design of business models able to service these emerging value pools. For example, to extend our discussion of the strategic risk of mobility; the emergence of autonomous vehicle technologies can now be more accurately time-boxed, mobility as a service is an emerging value pool offering multiple choices, and a capability to exploit telematics data will be central to new business models in the mobility as a service space.

By equipping our strategic leaders with insights drawn from the experience of a portfolio of strategic options we improve the clarity of decision-making and heighten the corporation's readiness to become something different for our customers and our stakeholders when we need to by exploiting specific opportunity and choice spaces.

The final framing element of demand-led innovation is the innovation pathway **…**

Frame by Innovation Pathways



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Robust strategic planning deals with what Peter Drucker called 'the futurity of present decisions.' Drucker said, "The question that faces the strategic decision maker is not 'what the organization should do tomorrow.' It is, 'what do we have to do today to be ready for an uncertain tomorrow'?"

Innovation pathways bring tomorrow into today, seeking to operationalise portfolio insights by offering near-term benefits such as sweating BAU assets or creating extensions and adjacencies, while equipping the corporation to become the business of tomorrow. In practice, the mesh of innovation pathways synchronise and integrate each small but deliberate investment in the future to make the corporate innovation agenda a coherent program of activities.

In summary, while strategic risks point towards the ends we should be seeking in business model renewal, and the innovation portfolio illuminates the ways to achieve those ends, the innovation pathways focus on the means – especially design, rapid experimentation, and business model development. Framing is thus a sophisticated exercise in aligning ends, ways and means across the corporate innovation agenda.

In closing, let me restate my key propositions **…**

Take-aways

- Corporations – especially incumbents - cannot incrementally change their way into the future, one good idea at a time.
- Traditional supply-led innovation privileges short-term thinking, fuels a bias for often ill-informed action, and iterates on the business of today rather than on the business of tomorrow.
- Demand-led innovation offers a more robust path to organic growth, longer-term competitiveness, and resilience.
- Frame demand-led corporate innovation with three key concepts; strategic risk, innovation portfolio, and innovation pathways.

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The level of disruption we are facing prevents us from incrementally innovating our way into the future – change will outpace and dislocate us.

Traditional supply-led innovation anchors us to the business of today, while real and sustained growth will come from the business of tomorrow.

Demand-led innovation creates the conditions to ensure the business of tomorrow is successful by using long-term thinking to influence near-term choices.