




Coplex Corporate Innovation Strategy Guide.

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**Learn why
innovation is
important for success,
how to develop an
innovation strategy,
the importance
of company culture,
and how to leverage
the expertise
within your
organization to
shape the future of
your industry.**



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Foreward.

As digital technology continues to accelerate and change the way we do business the imperative is to innovate or become a relic of disruption. Most business leaders understand this, which is why more than 80% say that innovation is critical for business growth. Unfortunately, most are dissatisfied with the results of their innovation efforts.

Ideas are not the problem—most organizations have more ideas than they know what to do with. The problem is usually figuring out how to capture, prioritize, and execute on those ideas. This inability to establish a repeatable process for execution prevents organizations from turning ideas into tangible business results.

In this guide we'll take a deep dive into how to create a successful innovation program including: why innovation is important, strategy development, importance of company culture, and how to leverage the expertise within your organization to shape the future of your industry.





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Why Corporations Need to Innovate to Succeed.

Most corporations aren't structured for innovation. Their policies and processes are built around operational excellence, not experimentation and creativity. Because of this, sometimes they have to look for ways to make creativity happen.

For instance, [General Motors](#) looked to outside organizations for innovation, partnering with a variety of small enterprises and educational institutions to gain insights into new technologies, skills training, and cultural issues.

What drives monolithic corporations to seek help with innovation? Often, fear of failure. It can prevent them from pursuing ideas and stifle their own innovative spirit, ultimately leaving room for competitors to steal market share.

This is where corporate innovation programs come in.

A GREATER FEAR THAN FAILURE.

At Coplex, we frequently hear concerns from SMB and corporate leaders about keeping and attracting talent, because they fear that startups will poach their employees. Innovation programs offer a solution. They let the corporation reach out, work with the best and brightest, and provide stability to potential innovation partners.

Corporations also face the reality that ideas could end up in the hands of a competitor, but having

a deeply engaged and committed team offers reassurance in the face of this risk. The best team will compete by bringing the best products to market, never by sharing proprietary ideas.

With only 45% of corporations engaging in the startup space – and the majority of those not doing it well – a solid innovation partnership gives companies an edge over the competition. But how do you get started?

HOW TO FIND INNOVATION WITHIN AND BEYOND.

1. PRODUCT INNOVATION

Ask employees for their input, and don't stop at the product development team. Seek opinions from people across your organization. One of Frito-Lay's hottest commodities, Flamin' Hot Cheetos, came from Richard Montañez, a janitor with a 4th grade education level. He proceeded to rise through the corporate ranks all the way to the executive team.

2. OPERATIONAL INNOVATION

Innovation can impact seemingly mundane areas of business, too. One healthcare organization we worked with was looking for a simple way to improve a specific operational issue: Hospital staff weren't getting enough time to eat their cafeteria lunches. In response, the organization is looking

at an app that allows staff to preorder food and arrange times to pick it up. It has the potential to have a high impact on morale and a low impact on cost.

3. LOOKING OUTSIDE THE ORGANIZATION

You can find innovation in outside partners, too. XPRIZE is a nonprofit that creates and manages competitions to solve challenges with businesses. In one case, Vor-Tek was an organization working to clean up oceans but needed a big idea for how to do it. While getting a tattoo, the CEO told the artist about his problem, and they came up with some truly creative ideas. The tattoo artist joined the company and ended up almost winning an XPRIZE for finding faster ways to clean up oil spills.



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The primary challenge organizations will face in the future isn't disruption — it's failure to respond to the accelerated pace of business. Innovation is key if corporations want to grow and succeed in the marketplace today.



What's Your Innovation Strategy?

Innovation fails in organizations for a lot of reasons including structure, culture, and allocation of resources. However, there's one big thing established businesses often miss when trying to infuse innovation into their operations: There's no cohesive innovation strategy.

It's easy to be excited and encourage employees to bring their ideas to the table; however, without a strategy to guide the reshaping of the company to create a fertile ecosystem for innovation to thrive, the ideas get stuck in many bureaucratic processes.

WHY YOU NEED AN INNOVATION STRATEGY.

The antidote to the corporate inertia for policy and processes is to establish an innovation strategy.

Your innovation strategy is the glue that holds your organization together, giving you an agreement about what, how, and why you want to achieve a specific goal. Good strategy unifies diverse groups within your company with clear objectives, priorities, and focus. It provides the necessary structure to support innovation and enable execution.

For established businesses, especially, successful innovation often means implementing cultural and organizational changes. But how will you know what changes to make without a documented strategy to define the focus? Starting with an innovation strategy helps avoid the pitfalls of conflicting priorities that might turn your innovation efforts into an unfocused scattershot of ideas, and a self-defeating theater that undermines innovation altogether.

If you want to create a successful and sustainable innovation program, you have to start with a strategy. Here are some things to consider:

WHY IS INNOVATION IMPORTANT?

If you're serious about creating an environment where innovation can thrive, you have to start by asking yourself why you want to innovate in the first place. What is the purpose of your innovation programs? What are you hoping innovation will help

you achieve? Being able to clearly articulate the “why” enables you to unify your company behind a single purpose. This clarity of purpose will also pave the way for the necessary shifts that need to happen to create a culture of innovation.

WHAT PROBLEMS ARE YOU SOLVING FOR?

One of the biggest reasons innovation labs fail is because they're disconnected from the market. It does no good to spend millions of dollars engineering solutions, only to discover what you've built doesn't address a real problem. You need to understand what the market needs and devise a process for testing ideas.

If you want to compete in tomorrow's market, you want to think beyond incremental innovations. What big industry challenges do you see on the horizon? How will those challenges impact your business? Where are newer, less established startups already disrupting your space, and what can you create that will enable you to maintain or expand your competitive edge?



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HOW WILL YOU IMPACT THE MARKET?

Most organizations engage in at least a little bit of innovation. For most established businesses, innovation usually is contained within the organization in the form of research and development or new product development. This is a closed innovation model that gives corporations the most control but cannot result in any sustainable or disruptive innovation. Instead, it reinforces the status quo and stifles the development of anything new, different, or potentially risky.

Open innovation, on the other hand, expands the process of innovation outside the company walls and pulls together ideas, technologies, and processes from a wide variety of sources. This kind of innovation creates a rich ecosystem from which to draw on and increases the business's innovative potential.

Granted, very few companies still engage in strictly closed innovation anymore. However, most established organizations take similar approaches with R&D, M&A, and improving on old products or processes – which simply isn't enough to create a significant competitive advantage or transformative impact on the market.

Open innovation creates a more fertile environment for repeatable success. What's more, it's an approach that gives established businesses the opportunity to lead the disruption in their industries, rather than waiting to be disrupted by newer scrappy startup competitors.

HOW WILL YOUR ORGANIZATION SUPPORT INNOVATION?

One of the biggest roadblocks to successful corporate innovation is the company culture. If you want to turn your organization into an innovation machine, consider what structural and cultural changes you need to implement to support success.

From top to bottom, leadership needs to voice support and explain why innovation is important to the organization. For some companies, this will mean some big changes need to take place, which can be a daunting and heavy lift. If you've already identified your "why," you already have a place to start educating your team and inspiring them to take action.

THE INNOVATION IMPERATIVE.

Why do we see established organizations get beat out by agile and experimental startups with nothing to lose? Because the focus of established companies is processes, performance, and incremental improvements on an existing product. And while there's certainly value in incremental innovation, it's not enough to ensure the longevity of a company accustomed to dominating the market. It's time for legacy businesses to stop playing safe, shape the future, and become the engine of disruptive innovation in their space.



Corporate Innovation Programs Power Disruptive Innovation.

According to the late Clayton Christensen, author of [The Innovator's Dilemma](#) and Harvard Business School professor, there were two kinds of disruption: Sustaining and disruptive. Sustaining innovation is usually incremental improvements on the current product, service, or customer experience, while disruptive innovation is a search for new business models and transformative technologies.

Startups are often disruptive by nature of their search for invention and the discovery of something completely new. By contrast, in order to become dominant forces in their industries, corporations must focus on process excellence and keeping current customers happy in order to stay in business. Disruptive innovation usually means focusing on the future, which is unsustainable for most established organizations.

Some businesses try to break out of the trap of sustaining innovation only to find that the processes that enable them to become market leaders make truly disruptive innovation near impossible.

There's a reason startups have been the biggest disruptors over the last decade: Startups don't have to worry about legacy customers or process excellence. This is a competitive advantage startups have over their more established counterparts.

None of this means large, established organizations can't become disruptive innovators. In fact, leading the disruption is essential if these entrenched enterprises want to maintain market dominance in the future.

TAPPING INTO INTERNAL INNOVATION.

According to a study by Kaihan Krippendorf, author, speaker, and business strategist, 73 percent of the most transformative ideas of the last three decades—mobile phones, internet, and email—came from employees working within large organizations. So why have so many people and organizations bought into the idea that large companies can't innovate?

There's no denying that there are lots of smart people with great ideas employed at established enterprises. We've seen plenty of corporations launch expensive innovation labs that fail to yield much beyond great ideas and a fancy facility. More often, innovation labs are quarantined away



from the rest of the organization and staffed with engineers rather than product developers. So even when there's dedicated space and resources for innovation, the likelihood is that the people and ideas aren't focused on solving problems or finding a real product-market-fit.

Building an innovation lab isn't a bad idea, nor has it proven to be the best solution for solving the corporate innovation challenge. Rather than throwing money away, building and staffing an innovation lab, established enterprises need a mechanism for turning their best ideas into independent startups of their own.

ENTER THE CORPORATE INNOVATION STUDIO.

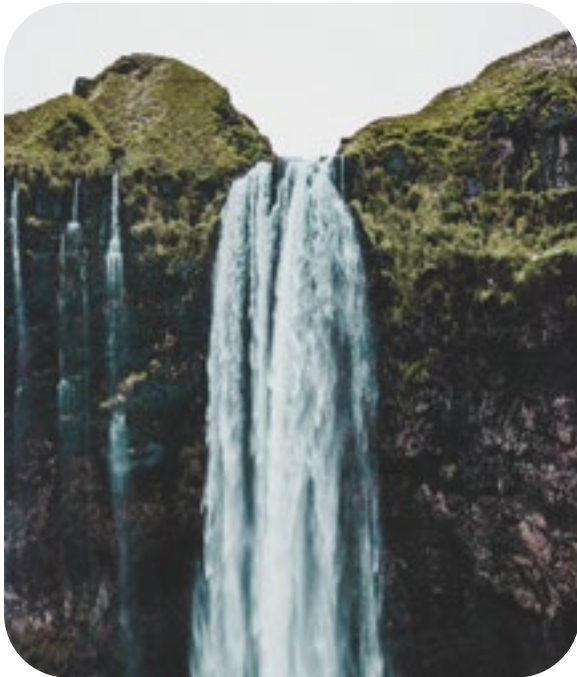
Just because ideas get stuck in the red tape of corporate bureaucracy, doesn't mean there aren't ways to break free. One way enterprises can get out of their own way is by creating a corporate innovation program for turning the best innovation ideas in the organization into independent startups. While the parent company focuses on sustaining innovation, corporate spinouts can focus on disruptive innovations for the future.



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And where will these ideas and these startups come from: From within the organization, of course! Not only do the employees at large organizations already have lots of ideas, but they also have expertise and insight into the big challenges facing their industries—all of which adds up to a significant unfair advantage for the organization. This untapped advantage can become the saving grace for established organizations faced with the reality of innovating or dying a slow death while scrappy startups innovate all around them.



RESIST THE CORPORATE CONTROL IMPULSE.

Of course, the temptation for larger organizations will be to impose controls and make demands on new ventures. This would be a mistake resulting in the same problems that happen with innovation labs. It's absolutely essential for these new entities to remain independent, and for the parent company to give the startups space to breathe, experiment, and make mistakes.

Likewise, these spinout organizations must be earnest in their endeavor to solve real problems and establish a sustainable business model. Establishing an innovation strategy and a process for evaluating new ventures each step of the way helps determine when to pivot, persevere or walk away when it becomes clear that a particular venture is not viable.

Smart organizations will build an entire portfolio of these spin-out organizations, knowing that some might flop hard, while others will become breakout successes. This army of corporate spin-outs enables established businesses to innovate faster and lead the innovative disruption in their industries so that they can survive and thrive well into the future.



Set Your Corporate Innovation Program Up for Success.

Most companies follow a similar playbook on their quest for a competitive edge. They engage in research and development to iterate and improve their offerings, use mergers and acquisitions to expand their footprint, and devote corporate venture capital to strategic investments in promising startups.

These common strategies might help a company improve its margins incrementally, but they won't necessarily lead to long-term success. You can't achieve a sustainable competitive edge if you're doing the same thing as everybody else.

The best companies don't just focus on products and services that already exist; they also continuously blaze new trails. They make innovation a core business function and dedicate teams and resources to exploring innovative ideas and projects. There's also a growing trend of established organizations looking to corporate startup studios and spinouts as part of their innovation strategy, as a way to thrive in the marketplace of the future.

Spinout ventures allow companies to extend their market reach, unlock new lucrative revenue streams, and even profit off of their competitors.

By embracing this approach and establishing a portfolio of 20 to 30 startups, smart enterprises could end up creating the next billion-dollar unicorn that revolutionizes an entire industry.

Launching a successful corporate venture program and spinout portfolio takes a lot of legwork and forethought. Before you begin, your organization needs to be prepared to support and foster the necessary innovation. These three steps will set you up for success:

1. CREATE YOUR INNOVATION THESIS

Write a clear, definitive statement that describes your mission, process, and goals. This thesis will serve as a guiding light as your team generates ideas and transforms them into viable ventures. Explain why your company wants to launch spinouts. Is this a strategic investment or a financial investment? Perhaps your primary goal is to expand your reach and grow revenue. Or maybe this is a defensive move to help your company stand against competitors and protect its footing in the marketplace.

You also want to clarify which growth horizons you are targeting with your innovation efforts. Horizon one is typically focused on the here and now, with the primary goal of optimizing your existing offering and business model. Horizon two is where you

might start creating new ventures, with an eye on business opportunities in adjacent markets.

The goal of these spinout ventures is to nurture and capitalize on trends that show promise but haven't yet hit their stride. Your new ventures in horizon three are the most futuristic. This is where your business has the potential to create something completely new, take advantage of disruptive opportunities, and transform entire industries.

2. INSTILL A CULTURE OF INNOVATION

Innovation should be considered a critical part of the business development process – and the corporate venture program an important addition to the business innovation strategy.

Your entire company – from top to bottom – must embody a culture of innovation that supports and encourages the creation of startups. This is not the kind of culture change that can be forced on your team, especially if innovation was not built into the culture from the start. Making such a cultural shift won't happen overnight; instead, expect it to be a gradual process that gets stronger with time.

Education can play a significant role in smoothing the transition. The more you inform your team members and include them in your decision-making process, the better your outcomes will be. Across the entire company, strive to develop a shared understanding of what innovation is and why it is important to the organization.



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Use your investment thesis to explain the value of launching corporate spinouts and describe your plans in detail. Also, make sure employees understand the benefits they could personally reap from launching successful spinouts.

A culture of innovation must begin at the top. The CEO, executives, and managers all need to buy in and lead by example. They should serve as cultivators of innovation who look internally and externally for inspiration. Talk to employees and engage them in the ideation process. They will be the biggest source of ideas for emerging opportunities, and including them will help quell any fear or uncertainty they feel about this cultural shift.

3. OPTIMIZE YOUR ORGANIZATIONAL STRUCTURE

Most organizations are not structured to support innovation. Instead, they are structured for operational excellence — which, unfortunately, sometimes means they hinder innovation. Innovation needs room to thrive. Your corporate spinouts and their teams need to live outside of the organization as separate entities. As such, the new organizations need to be free from the governance of the larger parent organization and have the freedom to experiment — just like any other startup. It is also important to ensure you are assigning

the right people to this task. As you instill your culture of innovation, it will become apparent which employees are most enthusiastic about the project and want to be included. As spinouts launch, you can offer your best and brightest workers the opportunity to run each venture. Your most ambitious employees will likely appreciate a chance to become the founder or CEO of a startup and to get a good chunk of equity in the organization.

When it comes to launching successful spinout ventures, you greatly increase your risk of failure if you don't lay a solid groundwork ahead of time. Without a clear investment thesis, a model for growth, executive support, and a culture of innovation, you're essentially trying to build skyscrapers on top of a weak foundation.

Make innovation one of your chief organizational priorities. Give it the staffing, funding, and visibility it deserves. Your corporate venture program isn't just a playpen set off to the side of your main business; it's a key driver of your success and longevity. In fact, it could hold the ticket to your most profitable wins and determine the direction of your organization's future.

Along the way, celebrate your successes and learn from your failures. There's no guarantee that your organization will launch a unicorn, but there is a guarantee of learning, development, engagement, and growth — both to individuals and the enterprise as a whole.



How to Foster a Culture of Innovation.

Innovation is hard. This is especially true for large enterprises, and in heavily regulated industries. While corporate enterprises are really good at executing a specific process with reliable success, becoming such an organization often leads to creative stagnation. To overcome innovation inertia, many corporations depend on mergers and acquisitions or become VC backers of innovative startups.

There are other ways for enterprises to innovate. For example, early in its development, Google had an 80/20 rule where 80 percent of employee time is dedicated to core company projects, and the other 20 percent was considered ITO — or “innovation time out” — to work on creative side projects. While the ITO brought us Gmail, Google Maps, and AdSense, as Google grew into an established enterprise, it effectively shut down the program meant to encourage internal innovation.

The transition from innovation powerhouse to innovation dead zone is a natural evolution as businesses mature. In the case of Google and parent company Alphabet, big innovation no longer takes place internally. Instead, the tech behemoth focuses on acquisitions or funding startups through its venture capital arm.

ANOTHER AVENUE FOR CORPORATE INNOVATION.

Acquisitions and corporate venture backing may be the most obvious and traditional forms of corporate innovation, but there's another option that utilizes the brain trust already within organizations. Within every enterprise, there are smart people with great ideas with the potential to become the next big high-growth startup.

These ideas could be the seed of innovation in established enterprises but in order to thrive and succeed, they need to become new corporate ventures – independent and separate from the larger organization. Taking internal ideas and turning them into independent startups is an alternate way to create a culture of innovation, while allowing those ideas the space to grow without being bogged down with established corporate processes.

LOOK FOR IDEAS WITHIN YOUR ORGANIZATION.

You hire smart people; look to them for innovative ideas, and experiment with spinning those ideas out as new ventures. While not every idea will lead to a successful high-growth startup, the most successful will contribute to the long-term success and growth of the larger organization, while moving the entire industry forward.

RESIST THE IMPULSE TO CONTROL EVERYTHING.

Control is the default mode for most established enterprises, but it's absolutely critical that corporations resist this impulse in order to give their spinout ventures the best chance at success. In fact, the foundation of the lean startup methodology is experimentation in search of a sustainable business model. You can foster a culture of innovation, not just by applying this thinking to your spinouts, but by encouraging the ethos of experimentation, autonomy, fast failure and even faster learning throughout the entire organization.

SHOW SUPPORT BY PROVIDING RESOURCES.

Instead of controlling the structure and imposing corporate limitations on your spinout ventures, show support in the form of resources. Offering an ITO of your own like the now-defunct program at Google is one option. Other ways to support your corporate innovation programs include providing funding, mentoring, and other professional development opportunities, including opportunities for ambitious employees to run the new ventures.

We can expect technology to continue to transform the way we do business. Healthcare, finance, and insurance are all industries ripe for innovation, with huge bureaucratic and regulatory challenges to overcome. Smart business leaders and enterprises will be the leaders of innovation and technological transformation in their industries – others will be left behind.





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Set Your Top Performers Free to Be Leaders.

It's no secret that things move more slowly and methodically in corporations than in startups. That's the nature of the beast. It also means that great ideas can fall through the cracks as quickly as they surface. Considering how vital innovation is to lasting business success, this is unfortunate.

Instead of letting ideas languish and die, a spinout can be an effective way to give those novel ideas the space and structure they need to grow. As enterprise-sponsored startups, spinouts can prioritize development and experimentation that will benefit your entire corporation. Thanks to their smaller size, spinouts speed up the innovation process.

This sounds great, you might be thinking, but how can I run my current company and a spinout? Fortunately, you don't have to. It might sound like a challenge, but there is significant value in allowing your best and brightest performers to move on from the corporation and run startups spun out from your original business.

YOUR BEST PERFORMERS ARE YOUR BEST LEADERS.

Everyone wins when you hand the reins to your best performers. Not only will you give your spinouts the best opportunity for success, but you'll also bolster talent retention and acquisition by giving your top performers room to grow. High performers usually shift around to different roles as they develop their skills, so giving them a shot at leadership and an opportunity to push themselves is a win for everyone.

If your best executive talent has been doing the same thing for some time and feels a bit disenchanted, they might become disengaged and leave your corporation for more challenging opportunities. Encouraging them to head up a spinout gives them a purpose, inspires them to nurture something new, and saves your organization from potentially having millions of dollars walk out the door if they leave. Only 45% of corporations engage with the startup space, which means you'll have an instant competitive edge and a better chance of longevity as a company.

THE RISK VS. REWARD CONVERSATION.

To get high performers on board with your spinout idea, you might need to have some tricky conversations regarding risk versus reward.

The risk/reward ratio is fundamentally different when shifting from working inside a large enterprise to founding a startup. For corporate executives, there's usually a generous compensation package, vacation time, and a 401(k) match or bonus — but the compensation is often capped at a certain point.

Some executives, though, thrive in high-risk, high-reward environments. Running a corporate spinout is riskier, but there's also an outsized reward potential. Startup founders typically get 10% to 15% equity in a new venture, which could be worth a ton of money if they do well. Let's say the spinout gets a \$200 million valuation with a 10% equity; that's

\$20 million for the executive if he or she secures funding or if the company gets bought out.

Ultimately, this approach creates value and better prospects for the firm, the spinout, and your customers. A great case study is the Australian auto insurance company Suncorp. Its crash repair vendors were overcharging it, so the company leaders decided to buy out body shop chain Capital S.M.A.R.T. The chain ultimately became the largest auto repair company in the country, and Suncorp sold it for nearly \$300 million. Suncorp's \$50 million investment yielded a sizable profit and allowed the company to understand the crash repair business much better. As a result, the company was able to choose more effective partners in the future and could offer its customers reduced rates.

STARTING THE CONVERSATION.

Think of corporate ventures as part of your high-potential executive development program. The executives you choose to head your spinout will gain an immense amount of experience and knowledge, and you'll benefit from the significant value they'll add to the new venture. Even if they fail, the involved executives can bring their experience back into the parent company.

HERE'S WHAT THE PROCESS OF DEVELOPING NEW CORPORATE VENTURES MIGHT LOOK LIKE:

1. CALL FOR IDEAS.

Ask everyone in your company to share their best ideas for company growth. Maybe you start with 500 and narrow it down to the best eight for a "Shark Tank"-style competition.

2. ENGAGE EXECS DURING THE SHARPENING PROCESS.

Have executives judge the event. This will get them invested in the ideas and give you a good sense of who has the passion and risk tolerance to lead one of these new ventures.

3. LOOK FOR MATCHES.

Which venture ideas inspired which executives? Linking the right people to the right ventures will help set both the individual and the spinout up for success. If those leading the spinout are passionate about the idea, they are more likely to stick with it and propel everything forward.

4. PROVIDE RESOURCES TO MAXIMIZE SUCCESS.

No matter how great your executives might be, they still need the proper resources to succeed. Ask them what you can do to support them, whether it's by providing training, talent, funding, or all of the above.

5. LET YOUR SPINOUT BEHAVE LIKE A STARTUP.

Strike the right balance between providing enough guidance along the way (e.g., mentors, funding, buy-in from high-level players) while still fostering freedom. Just like any other startup, your spinout will need space to experiment and grow.

A spinout might be just what you need to strengthen and progress your company's innovation efforts. For it to truly flourish, though, you must be willing to have those tricky conversations with executives about the risk and reward they could see moving away from the corporation and into the world of startups. Give them the freedom to lead while ensuring they have the resources they need to be successful, and the innovation will flourish.



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Innovation Reimagined.

Innovation — and keeping up with the pace of change — is one of the biggest challenges facing businesses today. Maybe you understand the importance of innovation, but you're not sure how to leverage it to achieve real business results. Coplex can help.

At Coplex, innovation and digital transformation are in our DNA. We've honed our methodology by helping more than 300 companies disrupt their industries, just like you. Are you ready to turn your best ideas into new business models at the speed of disruption?



GET STARTED TODAY



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