

Innovation strategy and operations

Top 10 Innovation Challenges – and What to do About Them

Abstract

Innovation remains a hot topic among managers and executives. However, there are a number of barriers within a company that can delay innovation or even bring it to a grinding halt. The most common obstacles to innovation are outlined in this article, plus some hints on how to overcome them.

Introduction

“It’s a marathon, not a sprint” – this phrase is especially true when it comes to innovation. A lot of things need to happen before innovation can become a reality in the workplace. Management buy-in, innovation tools, and overcoming resistance to change are just a few examples. As a consequence, innovation processes need diligent long-term planning.

Below is a list of ten key obstacles to innovation, which represent the core issues for most companies. Before you embark on your innovation journey make sure that you are ready to deal with these.

1. Top management support

In order to innovate in a company you need a sponsor in senior management, ideally in the C-level. Why is that so important? Your team can have a ton of ideas, a great evaluation tool, a culture that fosters innovation. At the end of the day though if you cannot find a sponsor that is willing to adopt your idea and run with it this all means very little. This can easily lead to frustration and disillusionment in the innovation team. However, innovators look at this both ways: if they are unable to find a sponsor, perhaps the time for this particular idea has not yet come.

2. Strategic alignment

Strategic alignment between the ideas that you are proposing and the needs of the business is crucial. This is where innovation management can fall short of its promise. You may have a well-filled pipeline of ideas but if these are not in line with the overall business strategy no department will want to make them part of their product roadmap. One basic strategy to ensure this does not happen is to broadcast your strategic focus areas to your innovation crowd often and clearly so they know what you are looking for.

3. Fueling the innovation pipeline

Innovation starts with ideas. If you want to compete in the marketplace, you need to make sure that you have

more potential wins in the pipeline than your competitors – all the time. How can you ensure a steady supply of ideas in order to provide your company with the best innovation opportunities? The answer is to cast a wide net. Use all the potential sources of ideas that exist. Many employees have great ideas, but do not limit yourself to internal sources. Tap into the power of public Crowdsourcing and Open Innovation.

4. Product-market fit

According to a Businessweek 2010 survey (DeGraff, 2013) limited customer insight was one of the top four barriers to innovation. Even though this is one of the greatest pain points for businesses, most innovation management solutions don’t have anything to offer in this area. CrowdWorx however with its built-in Social Forecasting™ makes it easy for companies to figure out their customers’ needs and consciously steer their innovation processes accordingly. Here’s a real life example. The German football club Bayer Leverkusen and Deutsche Telekom joined forces to install wireless internet in stadiums. Their initial estimate was that stadium visitors would only be willing to pay 1 Euro for wireless internet access. This put the project on hold indefinitely! CrowdWorx Social Forecasting™ technology predicted a price sweet spot of 3.89 Euro, which was later confirmed by overwhelming demand for this new service.

5. Thinking outside the box

Many companies are very much identified with the product they are producing and offering. This focus on one product or one family of products is usually more of a hindrance than a benefit when it comes to innovation. It’s a classic example of thinking inside the box and it kills off a lot of fresh ideas before they can see the light of day. A much better stance is to be willing to stop and think whether some new idea can be applied to one’s own industry. Embracing a self-identity that allows a company to adapt to changed circumstances

and view itself in a different light makes innovation more than just a continuous improvement of what is already there. And this where true competitive advantage comes from.

6. Consider different innovation life-cycles across departments

One trap that firms often fall into is holding innovation units to the performance measures of core businesses. Instead, managers should apply different standards to core and innovation units, demanding profit and austerity for some, urging experimentation in others. The key is to look at each unit separately, to see where it is in its growth cycle. This can occasionally make the company's strategy seem incoherent, because different sections of the business are focusing on different metrics and time horizons. Too much consistency in a company's strategy though is a danger signal. It indicates that the company has run out of ideas or that it is delegating innovation to lower organizational levels.

7. If you can't measure it, you can't improve it

Management guru Peter Drucker famously once said: "What gets measured, gets managed". This phrase can equally be applied to innovation. Being innovative means nothing if you can't measure the impact of your initiatives. How do you know that innovative new processes benefit your organization? How do you measure results and outcomes? Make sure you establish ways of measuring tangible and intangible benefits of your new products. Take into account for example: Time savings, revenue increase, efficiency gains, customer or employee satisfaction. Measuring results in the innovation area very much depends on the intent of your innovation efforts, therefore

it pays off to have well-defined goals right from the start.

8. Helping ideas to make it through the organization

Once a promising concept has been identified, it needs a lot of protection otherwise it will be killed. Competition for limited resources, conflicting agendas, and risk aversion are just some of the forces which an new idea has to survive against. Make sure innovators have a toll with which they can find people whom to form an idea team with. Such a team is usually cross-departmental. The idea team helps to guide the idea through the organization. You can put awards into place which reward teams more, the faster they implement an idea. This has many benefits, e.g. the faster an idea is implemented the sooner you can see it in action, it reduces the risk of being overtaken by a competing innovation, and the idea team's resources can be freed up for work again.

9. Keep an eye on market dynamics

Implementing an idea takes time. But what happens when the market has changed at the time the implementation process has been completed? Markets move quickly; sometimes an innovation is eclipsed by another one before the former has been launched. Therefore, always keep an eye on the market. And if worse comes to worse, be ready to abort early, rather than riding a dead horse. But scanning the market can also help to learn from the mistakes others make and improve one's own product – this is called the second mover advantage.

10. Risk aversion

Risk aversion is common in many companies. In a culture where each work hour has to account for progress, employees are inherently prone to avoid risks. However, without risk, there can be no innovation. Should innovation take hold in a company, employees need to be encouraged to explore their ideas to see where they lead. This also means that champions of organizational innovation must have a tolerance for failure and enthusiasm for risk taking. Risk requires investment (people, time, capital), and willingness to invest without ROI assurance. Ensure that the lessons from failures are as valued as the lessons learned from successes. A smart risk taking strategy will feature very early stage testing to allow for early learnings. Research indicates that fixing an error (by failing first) in an early stage costs about 100x less than doing so in one of the final development stages. So take risks but do it in a smart way.

References

DeGraff, Jeff (2013), *Why the 'most innovative companies' aren't*, CNNMoney
<http://management.fortune.cnn.com/2013/03/13/why-the-most-innovative-companies-arent/>

About CrowdWorx

CrowdWorx® is headquartered in Berlin, Germany. Founded in 2007, CrowdWorx is the leading Innovation platform for small, medium, and global enterprises. We serve clients in Europe and North America with the full range of tools and services for Idea Management, Open Innovation and Innovation Consulting. CrowdWorx' proprietary technology provides unique advantages for innovation programs, which generate measurable results and long-term impact.

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