The Essential 5 Capabilities Every Organization Needs to Successfully Execute Innovation Strategy
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Introduction

Digital disruption and increasing consumer influence continue to drive **market change at an alarming rate**. The demand on organizations to adapt with agility and speed is becoming the new norm.

To combat these urgent needs, companies are adopting new strategies but **often fall short of successful execution**. This ebook unveils five vital capabilities for successfully executing your organization’s innovation strategy.
Corporations are struggling to execute their strategic initiatives. According to *The Economist*, only 56% of strategic initiatives are considered successful.¹

In the past, this poor execution rate didn’t hinder companies from being profitable. But with the increased speed of business driven by digitization and globalization—along with constantly changing market landscapes and increasing consumer demand—the business climate has changed and if an organization is to remain relevant this success rate is no longer acceptable for companies that wish to remain relevant and viable.

¹ The Economist, Why Good Strategies Fail: Lessons for the C-Suite, 2013
Constant Market Disruption has Changed the Face of Business

Market leaders are being forced out of their dominant positions by massive market disruption.

➢ In the 1920s, the average lifespan of an S&P company was 67 years.²

➢ Today, the average lifespan of an S&P company is only 15 years.²

Longstanding market leaders are being challenged by digitally-enabled startups with lean operating models and processes.

² Professor Richard Foster, Yale School of Management
Large and successful enterprises are often slow to react to change. Unfortunately, sluggish responses to external market shifts can have disastrous consequences to any organization.

To stay relevant in a consistently shifting landscape, organizations of all sizes must operate with speed and agility.

Established market leaders are looking for ways to innovate at the pace of small companies.
### Examples of Successful Businesses Taking New Approaches to Meet Existing Market Needs

- The world’s largest taxi company owns no taxis
- The largest accommodation provider owns no real estate
- The largest phone companies do not own telecom infrastructure
- The world’s most valuable retailer has no inventory
- The most popular media owner creates no content
- The world’s largest movie house owns no cinemas
- The largest software vendors do not write the apps
Today’s businesses are expected to evolve as quickly as the markets they serve. There are two crucial market influences that stand out as driving forces behind the rate of change that organizations are experiencing worldwide:

1. Global digitization
2. Consumer influence reigns

To keep pace with the new rate-of-change, three operational business transformations need to take place:

1. Annual planning must become dynamic and iterative
2. Strategic initiatives must be realized at a higher rate
3. Work streams must be cross-functional and connected
Now that you have a background on how changing markets are impacting businesses and insight into why organizations are transforming themselves and their innovation strategy to stay relevant, it's time to start executing your own innovation strategy. To get you started, we have laid out five crucial capabilities we consider essential for an organization’s long-term growth.
Implement New Operating Models for Business Agility

Transformational change starts with new operating models designed to infuse agility, bring transparency, and improve competencies to increase the performance of strategic investments. To position themselves for quick responses to turbulent markets, organizations are operationalizing both the traditional Directive Model and the progressive Adaptive Model.

**Directive Model**
- Stable
- Reliable
- Predictable
- Best practices
- Removes risk

**Adaptive Model**
- Less complex
- Agile, iterative
- Human-centered
- Improvisational
- Accepts uncertainties

![Marathon Runner](image1)

![Sprinter](image2)
Tips:

- Go on the offensive against market disruptors and the competition. Disrupt legacy processes and operating models in your own organization.

- Deliver breakthrough innovations to consumers by shifting operating models from silo’d business units and teams to cross-functional teams.

- Organizations successfully going through transformational shifts are addressing their innovation agendas in a dramatic way. A blend of directive and adaptive approaches to infuse agility into processes introduces planned instability which must be communicated across the organization. However, in your search for speed, don’t lose site of innovation governance. Make sure to achieve a balance.
People are still operating as a disconnected enterprise. Functional units are armed with their own tool sets, like Microsoft® Office programs.

As people work in their own environments and follow their own processes, communicating to others outside their functional unit or group is chaotic, time consuming, and inefficient, resulting in:

- too much friction
- too much delay
- a lack of transparency

These outcomes are preventing organizations from moving forward with speed and agility. Innovation success requires execution across all functions and coordinated decision-making on common, reliable data brought forward by functional team members.
An **interconnected enterprise** brings together people and transparent processes and operates across toolsets to increase efficiencies. It connects the right people via cross-functional teams to enable knowledge workers to contribute to the success of a project regardless of department and title.

The interconnected enterprise is able to increase user engagement and build morale by making contributor’s work more meaningful and impactful. This is done by communicating the “why” for team members, making it easier to see how an individual’s projects fit into the broader corporate strategy.

Enabling cross-functional communication and decision-making is no easy task. It requires a commitment to change and a renewed approach to day-to-day activities in the deployed cross-functional teams.
Create Operational “Linkage” between Strategic Planning and Execution

The timely communication and execution status of strategic plans is where organizations typically run into trouble.

- 55% of managers can’t name one of their organization’s top five priorities.³
- A meager 3% of firms successfully align growth strategies with product development, while the overwhelming majority are aware of a gap between strategy and development.⁴

To combat these gaps, businesses need to create an operational link between planning and execution. Instead of creating strategies that may no longer apply, use iterative and dynamic processes while keeping the pulse of the market at the forefront of decisions.

- Replacing the annual operating plan (AOP) with quarterly or monthly strategic operating planning sessions and making decisions based on market demands at that moment is only half of the fundamental change organizations need to make to be more successful at innovation endeavors.
- The second half is connecting teams cross-functionally and funding programs and projects based on iterative, up-to-date strategic plans.
- These two halves must interact dynamically to truly link strategy and execution.

Most organizations make portfolio decisions based on past events – they’re looking in the rear view mirror.

Successful organizations have matured their portfolio competency to make decisions based on the current and future state.

Adjusting the makeup of portfolios can give insight into how investments and returns in the future can change based on present-day choices. Decisions are made from up-to-date dashboards conveying statuses on programs, initiatives, and projects gathered from accurate cross-functional data.

Hint: the right tools are key to shifting your digitized portfolio management from static to dynamic.
Putting a company’s innovation strategy out in the public eye is a proven method for continual growth. Successful organizations include innovation goals and metrics in quarterly results, and share progress against these strategic initiatives. This public accountability highly-incentivizes forward momentum and growth.

Examples of metrics and results shared in public statements:

- We doubled our rate of innovation in 18 months
- We generated 6 new products with €200m in revenue contribution in 3 years
- We improved time to market by 4 months
- We cut active projects in half, reducing from 2400 to 1200, in 16 months, resulting in long-term profitability
- 20% in product value has been added in the last 24 months

It can be daunting to expose your goals due to fear of failure. But by removing the safety net organizations can hone priorities and make decisions with goals and results top-of-mind.
Market disruptions will continue to push boundaries. Organizations need to be primed to react swiftly. Transformational change to prioritize dynamic execution of innovation strategy in your organization is possible if these five capabilities are developed.

The right decision-support system makes a world of difference in successfully accomplishing your transformational goals.

- **Accolade** is a cross-functional collaboration, decision-support and initiative management software solution that helps you intelligently navigate your business in our fast-moving, digital economy. Rich in embedded best practices, Accolade becomes the single source of truth that ensures innovation execution is aligned with your organization's corporate strategies. It gives business leaders the visibility and transparency needed to understand the future impacts of today's decisions.

**Next step:**
- **Contact us** to discuss implementing innovation strategies at your organization.
About the Publisher

Sopheon partners with customers to provide complete Enterprise Innovation Performance solutions including software, expertise, and best practices to achieve exceptional long-term revenue growth and profitability through sustainable innovation.

For the first time, businesses can access a single source of the truth across:

- Strategic Innovation Planning
- Roadmapping
- Idea and Concept Development
- Process and Project Management
- Portfolio Management and Optimization
- Resource Planning

Sopheon’s solutions have been implemented by 250+ customers with over 60,000 users in over 50 countries.

Contact Sopheon for more information, feedback and comments.