

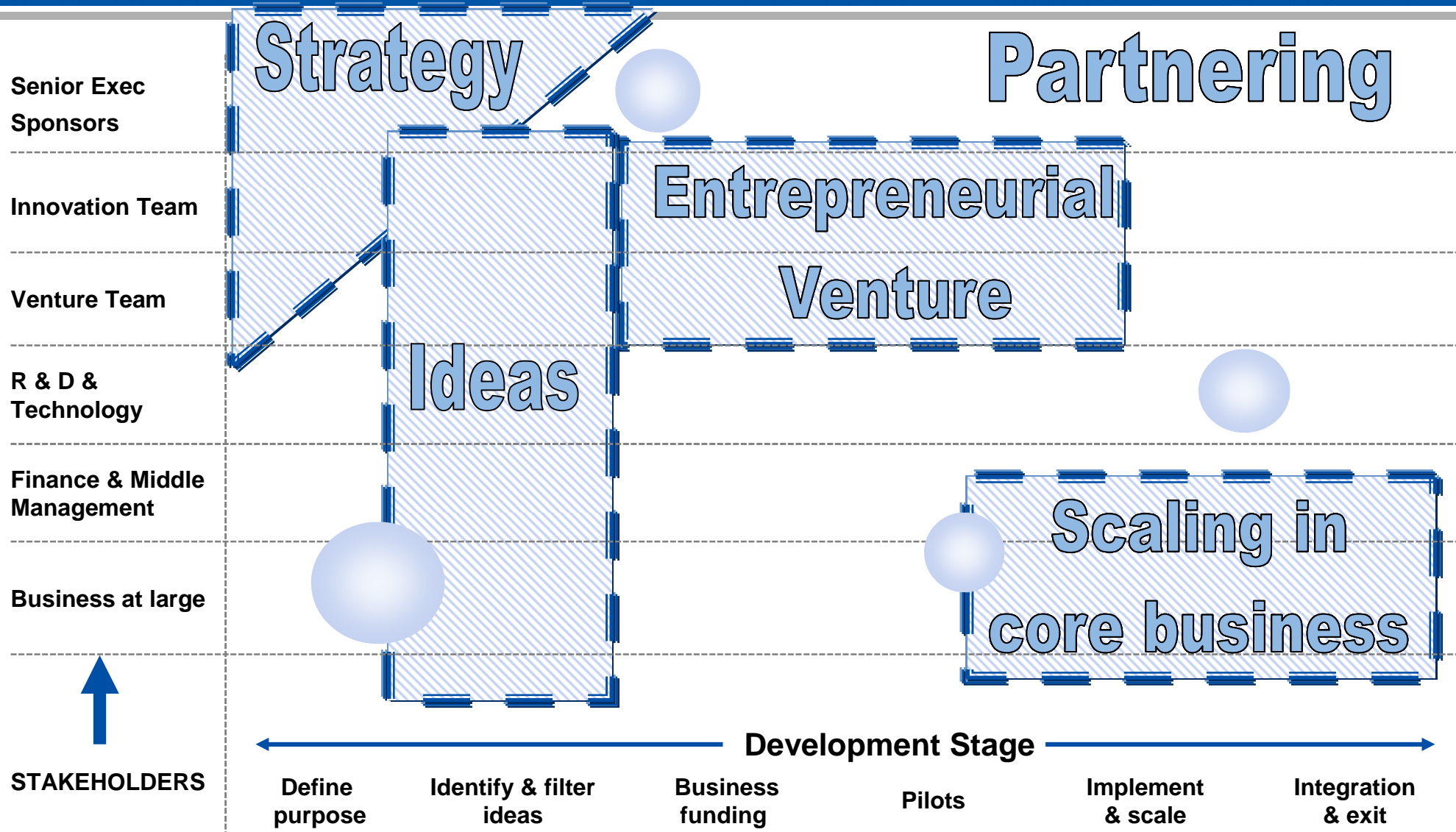
# Stress Points of Innovation

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Responses to a survey sent to executives attending the 2010 IBF Venturing and Innovation Conference

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# The process of Open Innovation is illustrated through five key phases



# Question 1 – Stress points at the strategy phase



- 73% of responses rated issues at this stage as very significant (3-5)
- The most highly scored stress point (31.7%) was a cultural issue

## **Most significant Stress Points**

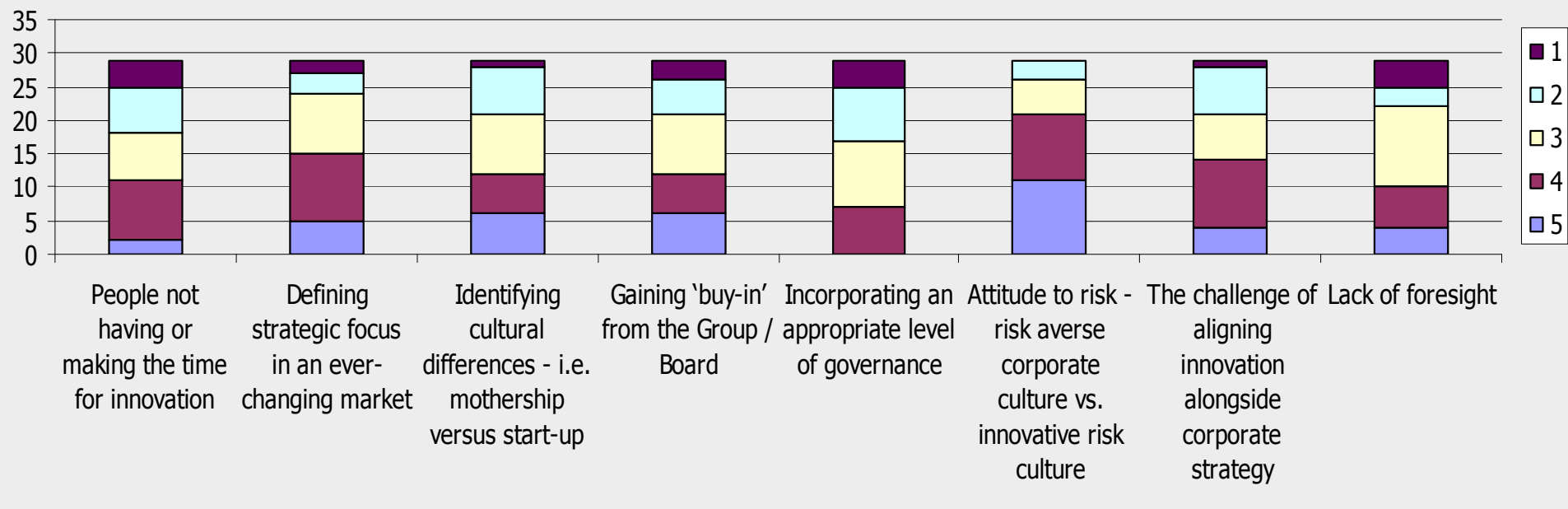
1. The 'attitude to risk,  
i.e. corporate culture vs innovative risk takers'
2. Defining strategic focus in an ever-changing market

*Source: H-I Network survey and research*

# Question 1 – Stress points at the strategy phase



In your experience, how would you rate the following stress points at the strategy stage of the innovation process? (1 being the least significant, 5 being the most)



# Your own stress points at the strategy phase



Internal risk aversion versus fast moving market

Herding the cats!

Extracting assets/people from mothership programs onto venture teams

Having enough people within an organization that 'get it'.

The issue is often the conflict between internal innovation and the cultural acceptance of the necessity of external innovation. An overly complex approval process, requiring business unit sponsorship is another impediment for CVC.

The biggest challenge is making sure the most senior leaders understand how the strategic focus of an innovation group does not necessarily align with the next 3-year plan. Also, difficult to align with company's strategic focus, when it does not really have a long-term vision with meaningful pieces for us to plug-in to--or even influence.

## Question 2 – the development of an idea phase

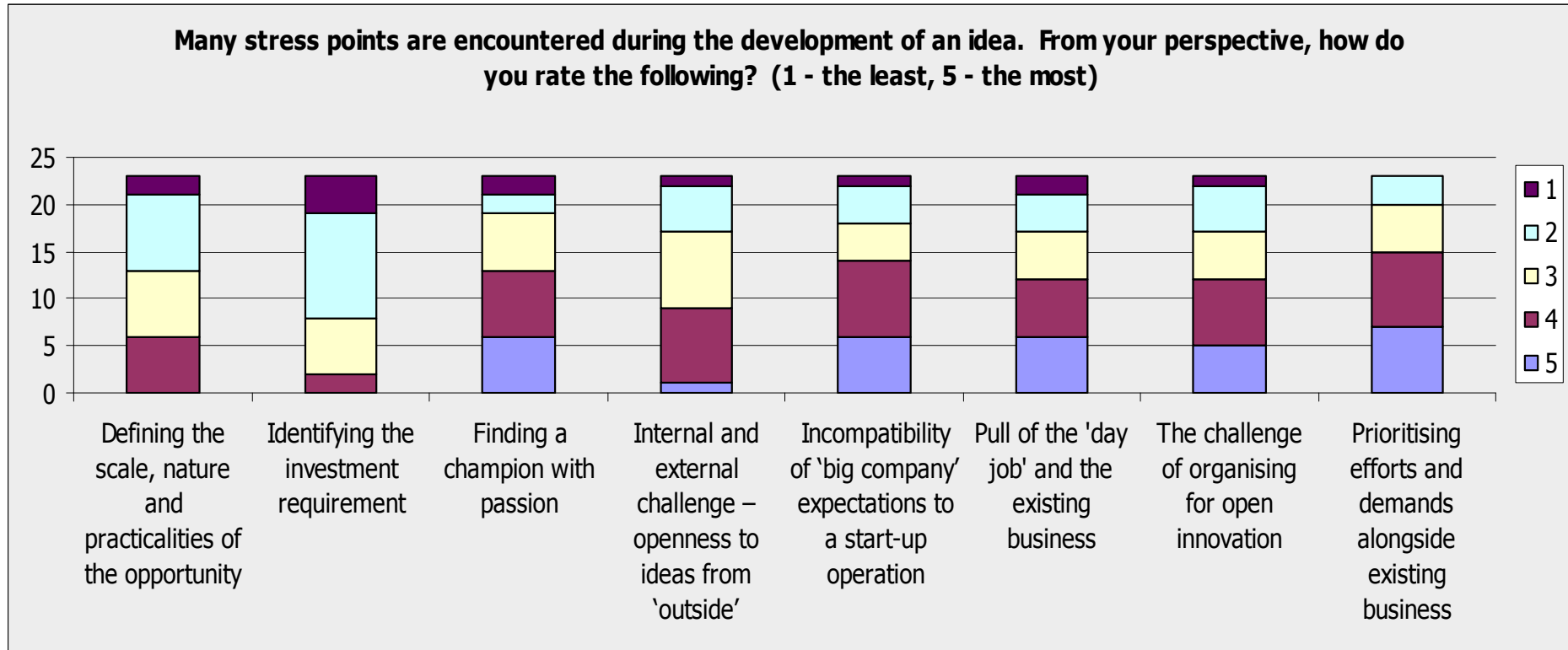


- 70% rated issues somewhere between 3-5

### **Most significant Stress Points**

1. Prioritising efforts and demands alongside existing business
2. Incompatibility of 'big company' expectations to a start-up operation
3. Finding a champion with passion

# Question 2 – the development of an idea phase



# Your own stress points during the development of an idea



For internal innovation, the issue often appears when you have a separate business unit, who is often removed from the customer experience. Internal R&D is often still rewarded for the number of patents filed rather than the revenue from new products.

We can find a champion with passion, but finding a champion with the right skills to effectively lead the effort is a big challenge.

Leveraging mothership functions (E.g. procurement) while maintaining start-up speed

Our development and creation stage go hand in hand, the biggest challenge is clash between our culture of speed and risk-taking vs. the broader corporate culture, particularly of corporate functions such as legal, procurement, security, and IT. Our governance and "buy-in" is there to move us forward, but constantly having to battle these groups to move quickly and apply the appropriate armaments for the task and risk level, which often means leveraging our senior level buy-in.

## Question 3 – Creating a new business/venture



- 80% of respondents scored issues in partnering with external resources within the mid range, i.e. 3-4
- Most of the focus was on people issues

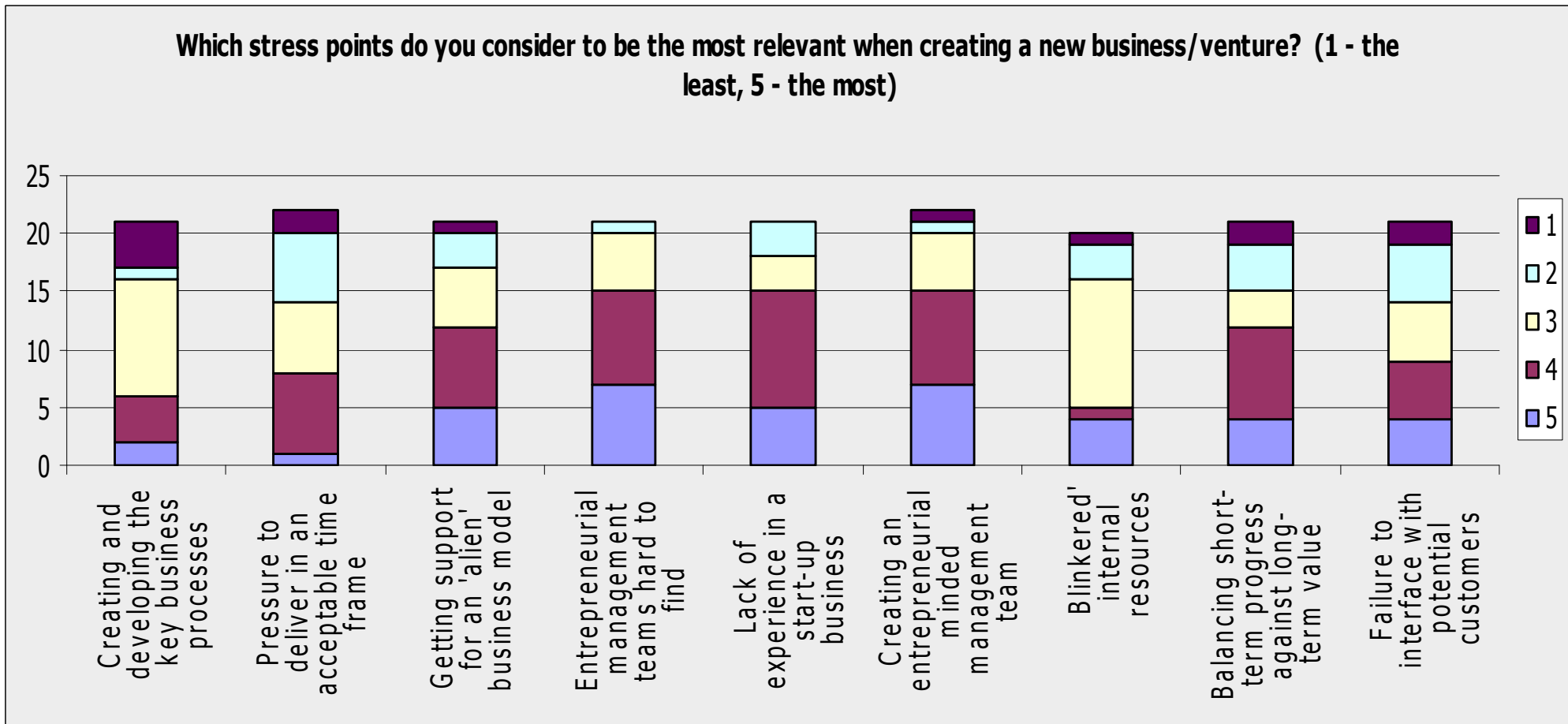
### **Most significant Stress Points**

1. Entrepreneurial management teams hard to find
2. Lack of experience in a 'start-up'
3. Creating an entrepreneurial minded management team

# Question 3 – Creating a new business/venture



Which stress points do you consider to be the most relevant when creating a new business/venture? (1 - the least, 5 - the most)



# Your own stress points when creating a business idea



The structure - jv,  
spinout, internal

It was often easier to simply  
acquire something of scale than  
build it from scratch internally.  
Success often depends on who  
your internal champion / sponsor  
was.

Long term  
opportunities  
dropped in favour of  
shorter term ones

Getting the  
"right" CEO

Finding sufficiently compelling  
ideas relative to a battle-tested  
set of criterion

## Question 4 – Partnering with new/external resources



- 70% of respondents scored issues in partnering with external resources within the mid range, i.e. 3-4
- Responses indicated that legal, structural and auditing issues were less a considerations in this phase

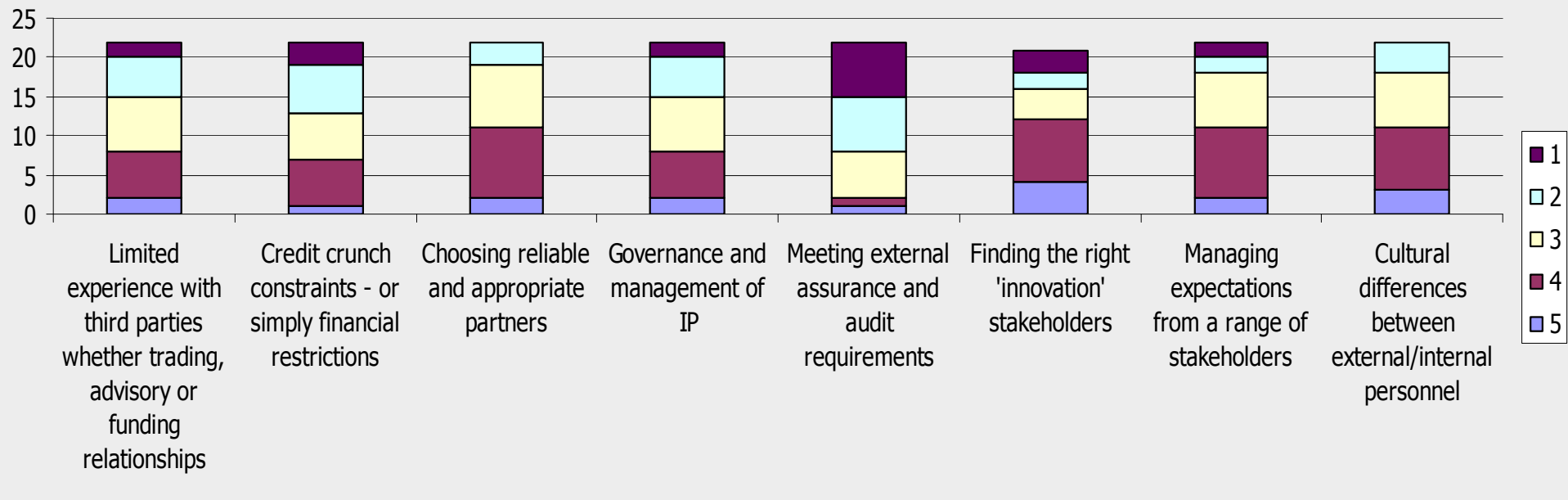
### **Most significant Stress Points**

1. Finding the right 'innovation' stakeholders
2. Managing expectations from a range of stakeholders
3. Cultural differences between external/internal personnel

# Question 4 – Partnering with new/external resources



Please rate the relevance of stress points that can be incurred when partnering with new/external resources.  
(1 - the least, 5 - the most)



# Your own stress points when partnering with new and external resources



Do you partner with big - influential or small - smart partners.

Internal is the hard one

Relevant only as regards partnering for IP

The hardest part for us is managing expectations with 3rd parties in dealing with us for contracting of partnerships. We are still working with legal and procurement to help them enable us.

## Question 5 – Scaling up into the core or ‘new core’ business

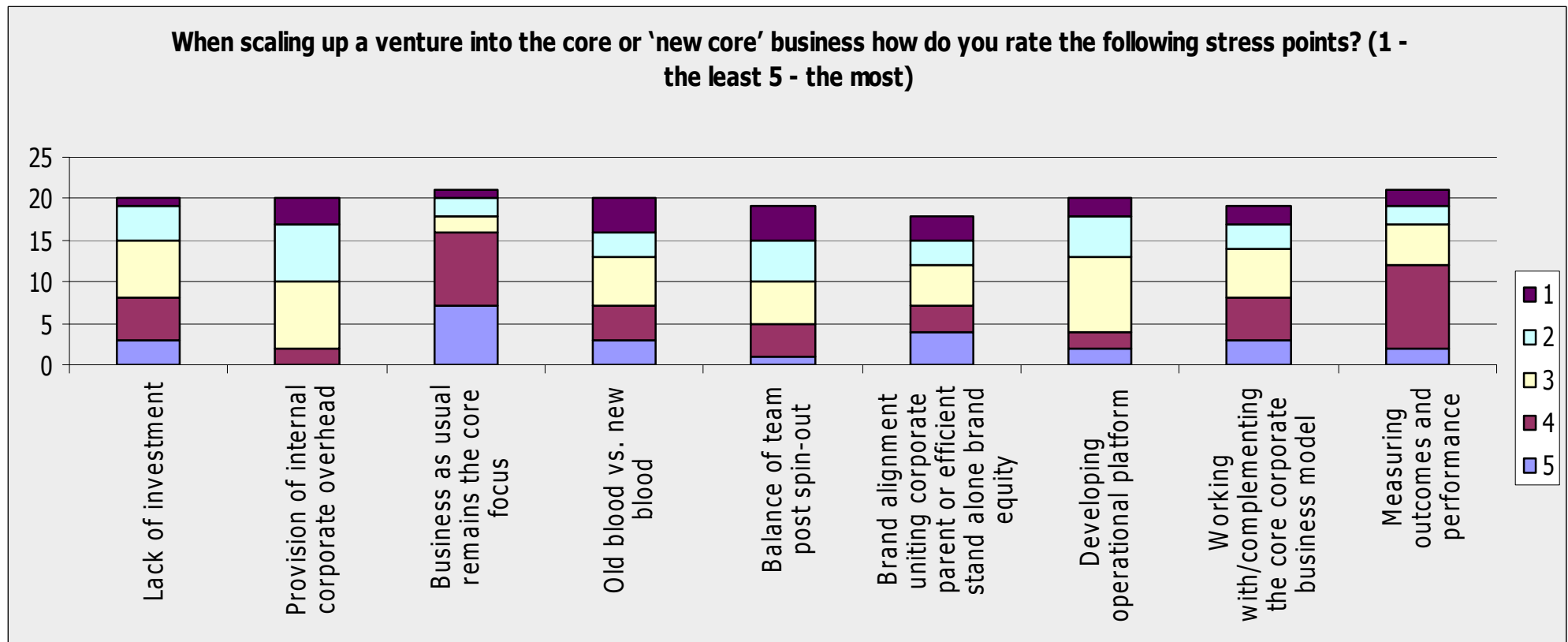


- 69% of respondents scored issues in partnering with external resources within the mid range, i.e. 3-4
- It became apparent through the survey that when a project was ready to enter the mainstream of the business, fundamental business issues came to the fore.

### **Most significant Stress Points**

1. ‘Business as usual’ remains the core focus
2. Measuring outcomes and performance

# Question 5 – Scaling up into the core or ‘new core’ business



# Your own stress points when scaling up a venture



It's always the challenge of hiring talent and the issue of internal vs external people. Business as usual is the norm and change is hard. For us, getting to a scale that matters is another challenge(\$1bn+).

Transitioning the fiscal and marketing responsibility

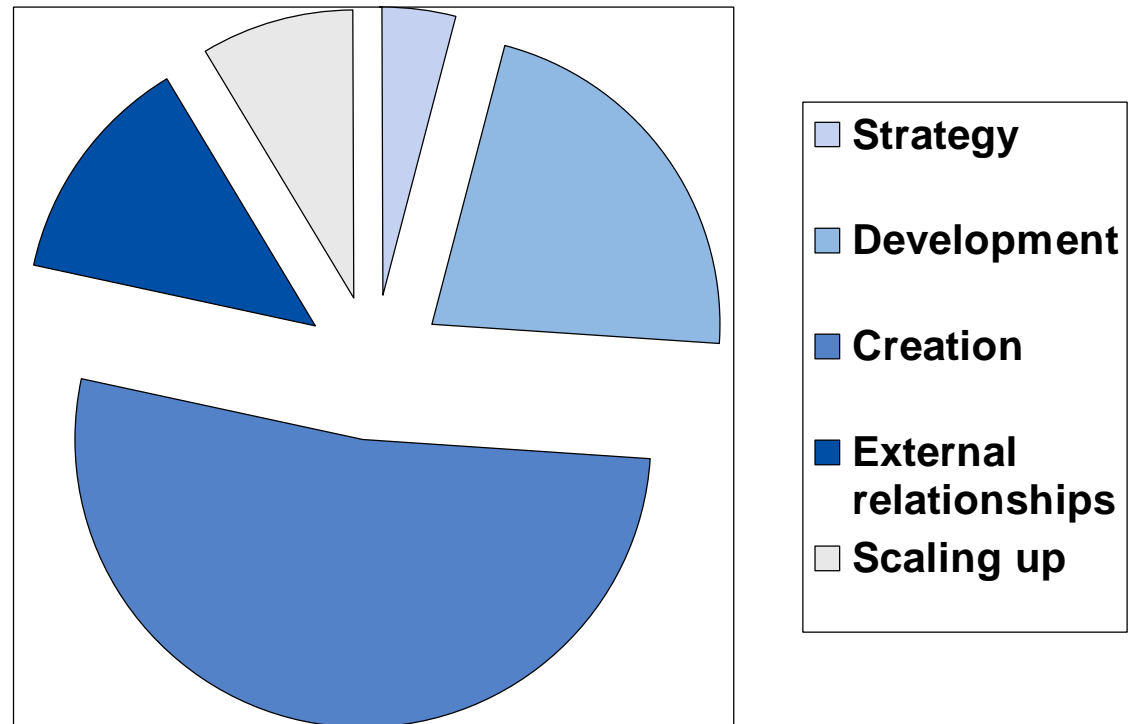
We have not done this yet, but I anticipate it will be a different issue. Much of the research on innovation capabilities say that new businesses move from an innovation or incubator group into the new business too soon. We expect our problem to be figuring out where to keep it until the \$ are no longer peanuts and/or until the new businesses operational model no longer breaks all the time.

NIH (Not Invented Here) attitude

# Conclusion – Which phase is most prone to stress



- 52.2% considered 'creating a new business venture' the most stressful phase
- 'The development of an idea' second with 21.7%
- Strategy phase was considered to be the least stressful phase with only 4% of respondents selecting this option.



# Open innovation in action



*"Open Innovation in Action is a good compilation of H-I tools and examples of open Innovation in various leading companies."*

*"Simple is good; otherwise it will not be put in practice."*

Robert Kirschbaum, VP  
Innovation, DSM



*"Good book, demonstrating strong links to leading companies."*

Matthew Roberts, Financial Advisor,  
Corporate Venture Funds, Nestle Acquisitions  
& Business Development

*"A timely, clearly written, and convincing book that includes useful methods and case examples. Extremely relevant and timely for BAE."*

Glenn Gapper, Industrial Technology  
Acquisition Manager, BAE Systems

*"Open Innovation in Action" summarises a number of innovation & business growth theories / strategies in a comprehensive & concise way. It is a useful thought-starter for anyone involved in driving innovation within their organisation."*

*"Reviewing GSK innovation strategy against the H-I 5Ps of Innovation has helped to highlight potential pitfalls & areas for improvement."*

Frances Crewdson, Category Director, Innovation, GlaxoSmithKline

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