MAKING INNOVATION PRACTICAL AND PROFITABLE: FOUR STEPS TO LEVERAGE CREATIVITY WITH DISCIPLINE TO DRIVE VALUE

The term innovation has become so overused that it has lost its meaning. Last year alone, some form of the word innovation was cited more than 60,000 times in filings with the U.S. Securities and Exchange Commission. For many enterprises, however, innovation is more buzz than it is a successful business function.

Part of the challenge, of course, lies in its definition. “Innovation” can be applied to a wide range of activities within an organization, from coming up with a radical new business model, new products, or services to incremental improvements that drive margins. It’s often used synonymously with creativity. In fact, 41 percent of executives report that their organization’s innovation functions are siloed, run without accountability to the corporate growth strategy, and exclusive to “creatives” tapped to create innovation.¹

Contrary to perception, creativity and discipline are not opposing forces. Creativity thrives with a targeted challenge—in business, that challenge should be a precisely defined business or market need—to start a flow of new ideas. Creativity also requires a disciplined way to capture those ideas and then explore or test them.² Artists are actually highly structured, often working at the same time of day, in the same place, with lots of repetition. Great innovators allow creativity and discipline to complement each other to uncover opportunities that solve organizations’ biggest problems.

¹. North Highland market research, June 2016.
². Capturing Creativity,” Robert Epstein PhD, Psychology Today July/Aug 1996.
Ninety percent of respondents to a June 2016 North Highland survey said innovation is a key value driver for their organization today, but 38 percent had yet to realize financial growth as a result. The vast majority of enterprises understand innovation’s potential value. But they are missing the opportunity to cash in because of a failure to balance the strategy surrounding innovation with the insights, processes, and discipline that will drive real results.

**INNOVATION IS A DISCIPLINE, NOT A BUZZWORD**

Creating an environment that renders business value from innovation requires a new way of doing things. To drive the highest value, innovation must be treated as a cross-functional business discipline rather than a siloed project just for creatives. It can and should be managed like any other corporate function. When it is, it becomes Practical Innovation—a creative discipline that generates new value for organizations, their customers, and their networks.

Practical Innovation is not a one-size-fits-all approach; rather, it takes into account the unique abilities and limitations of a firm. To start, the organization needs to gain clarity around its goals or ambitions for innovation. The organization must build a sustainable structure that allows its teams to not only generate the right ideas but also bring them to life. Organizations striving for disciplined innovation often realize that they don’t always have the right balance of talent and skills at each phase of the innovation journey: upfront ideation typically requires vastly different talent than what’s required for a product launch and post-launch optimization and operation.

**MANAGING PRACTICAL INNOVATION IS NOT BUSINESS AS USUAL**

Practical Innovation does not squash creativity; it directs it, empowers it, facilitates it and makes it real. This is not business as usual for most organizations accustomed to a less disciplined approach to innovation. With Practical Innovation, the entire organization must be aligned and enabled to deliver innovation. It cannot be a siloed function, and it must be measured against its ability to drive the overall corporate growth strategy all the way from ideation through realization.

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North Highland recommends a four-step approach to begin driving top-line growth and operational excellence through Practical Innovation:

1. **Start where you are**
   - **Face the facts:** Conduct a situation assessment that encompasses the competitive landscape, market, and customers/users.
   - **Know thyself:** Conduct an organizational assessment that encompasses financials, capabilities, orthodoxies, and culture. Who do you want to be? Why do you want to innovate? Who should be involved and when?

2. **Stand in the future**
   - **Be the customer:** Identify key pain points, including proprietary insights and unmet, important, and growing needs.
   - **Build scenarios:** Project trends into the future—technical, consumer/user, regulatory, industry, and more. Explore design opportunities based on those trends and insights into customer needs and preferences.
   - **Synthesize inputs:** Reframe the situation, then abstract and reapply insights in iterations that continuously refine your understanding of the opportunity.

3. **Pick a focus area**
   - **Act as one firm:** Align ambitions. What kind of innovation is the organization focused on and where do adjustments need to be made to align to that innovation type?
   - **Make smart bets:** Choose a direction and find an area of ascending importance.
   - **Create the vision:** Frame opportunity spaces. Scope it big enough, tuned to your ambition.
   - **Share well with others:** Declare intent and communicate internally and with select outsiders.

4. **Connect the dots**
   - **Align actions to intent:** Focus your project portfolio and identify currently aligned capabilities / initiatives. Pivot current initiatives toward the focus area, stop initiatives that are off focus, and start one or two new, on-focus initiatives.
   - **Refine and / or pivot:** Manage your project portfolio, sensing, monitoring, and adjusting as needed.
Organizations that focus on innovation consistently deliver shareholder value above that of the general marketplace. Taking a measured approach that leverages both discipline and creativity, from strategy development through execution, allows the organization to make innovation not only practical but profitable as well.

4. Design Management Institute.

ABOUT NORTH HIGHLAND

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