

BECOMING A BEST-IN-CLASS INNOVATOR

Insights from the RevelX
Innovation Readiness Benchmark

REVELX

01

INNOVATION SEPARATES THE LEADERS FROM THE DISRUPTED



At RevelX, we believe that strategic innovation is the key to sustainable growth. Organizations that are successful innovators have the highest survival ratings. They are able to create and maintain a long-term, sustainable, competitive advantage. They are successful in retaining their relevance in a rapidly changing world where industries are shaken up and incumbents stumble.

Corporate survival depends on innovation

The importance of innovation for corporate survival is illustrated by the Fortune 500 list. A vast majority of the original 500 is no longer in existence having been either dismantled or acquired by another company. Just 60 of them remain, and in the next ten years, half of the current 500 are expected to be replaced.

The pace of change brought about by agile innovators is relentless. The stakes couldn't be higher. It really is "Innovate or die!" To quote Steve Jobs: "Being a best-in-class innovator is what distinguishes the leaders from the followers." In other words, innovation distinguishes the disruptors from the disrupted. We believe that any business can innovate and even reinvent itself. The bad news is there is no Holy Grail, but the good news is there are many best practices that you can adopt.

The Benchmark includes 35 best practices

We have collected these best practices in the recently launched RevelX Innovation Readiness Benchmark. Our benchmark gives insight into how big corporations and smaller scale-ups innovate, which best practices they apply, and how they brace themselves for disruption. More than 80 companies have already participated in our benchmark. This includes leading corporates as well as smaller scale ups. They have all measured their innovation power against 35 innovation best practices.

Selection of participants in our benchmark



71% Is not satisfied with their innovation performance

Our benchmark shows that there is a lot of room for improvement. Only 29% of the companies are satisfied with their innovation performance, and 53% think their innovation performance is average at best. Our benchmark also shows that the companies with stronger innovation performance score significantly higher on most of the best practices in our benchmark than the weaker performers.

With this publication we present the insight from our Innovation Readiness Benchmark. We offer practical guidelines on how to make innovation work for your business which are illustrated by best practices. We hope this will inspire you to improve your innovation performance. Because, again and again, true innovators prove to be characterized by the drive to improve, and that is what ultimately separates the leaders from the disrupted!

Let's innovate!!

Marc Douma

Innovation Lead at RevelX

REVELX

ABOUT THE INNOVATION READINESS BENCHMARK

“Only 29% of the companies is satisfied with their innovation performance”

The RevelX Innovation Readiness Benchmark has been developed to assess the innovation power of organizations. It encompasses seven areas in which truly innovative companies excel and that drive innovation performance. Our benchmark also includes an assessment of the disruption risk.

Scope of the RevelX Innovation Readiness Benchmark



We have identified five best practices for each area. These elements are based on our own experience from working with our international clients – often leaders in their industry – and available research on innovation. All participants in the benchmark have rated themselves against these best practices and have assessed the disruption risk for their businesses.

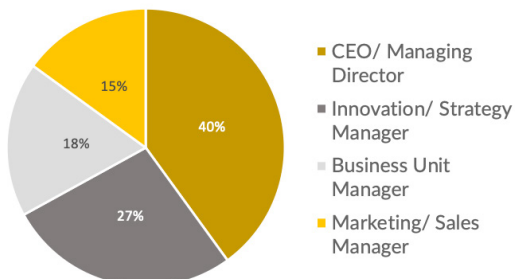
Participants in our Innovation Readiness Benchmark

So far, 80 companies have participated in our benchmark. This includes industry leaders such as Vanderlande, PON, Holmatro, Spie, Alliander, Hunter Douglas, BDR Thermea, Nutreco, Nationale Nederlanden, ASR, and Ardagh. Promising start-ups and scale-ups participated too.

40%

of the participants in the benchmark is CEO or Managing Director

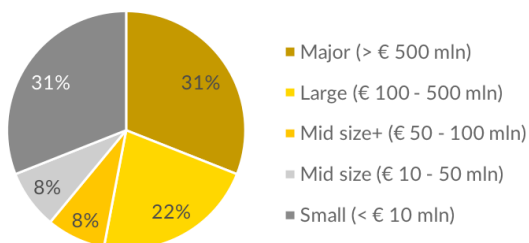
Participants by Function



53%

of the participants has a turnover higher than € 100 million

Participants by Company size (based on turnover)





03

INNOVATION PERFORMANCE

“Some people want it to happen, some wish it would happen, others make it happen”

Michael Jordan

The only way to brace yourself from being disrupted, is to make sure that your innovation power is on par with your competitors and potential disruptors.

Are you prepared for disruption?

However, there is a worrying insight from our benchmark. On average, the companies who rate the disruption risk for their industry as significant:

- rate their time to market as less competitive;
- are less convinced that they outperform their competition on innovation;
- invest substantially less in projects with a long-term horizon.

This situation is not a good position to find yourself in when you are convinced that disruption will hit you rather sooner than later.

On the other hand, strong innovators are prepared for disruption. They make sure that their pipeline consists of both projects with a short-term impact and long-term innovation projects. They understand the importance of a short time to market and a rapid scale-up of their innovations because rarely does a company have an exclusive idea or technology that they can monopolize for an extended period of time.

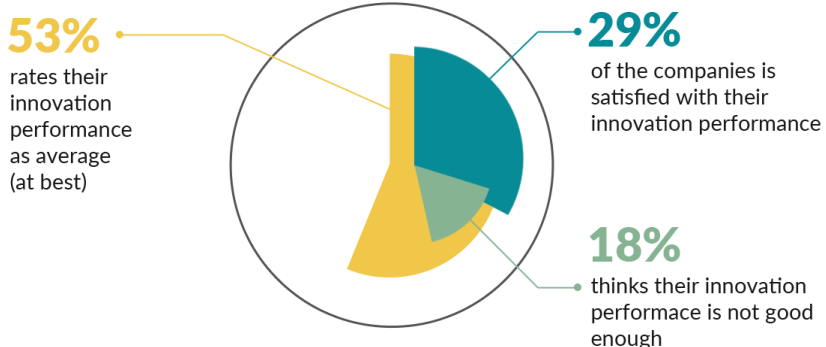
It is crucial to outperform your competitors in all these aspects. And yes, ideally, your company is one of these disruptors or at least one of the innovation leaders in your market space. But we also have to be realistic. Not every company can and will be a disruptor.

When faced with sudden disruption, being a smart follower is sometimes the best you can do. But even a smart follower has to be innovative, quickly adapt its strategy, be responsive to the new reality, and change its view on what defines success.

How is innovation performance rated?

Only 29%
of the companies is satisfied with
their innovation performance

Rating of Innovation Performance

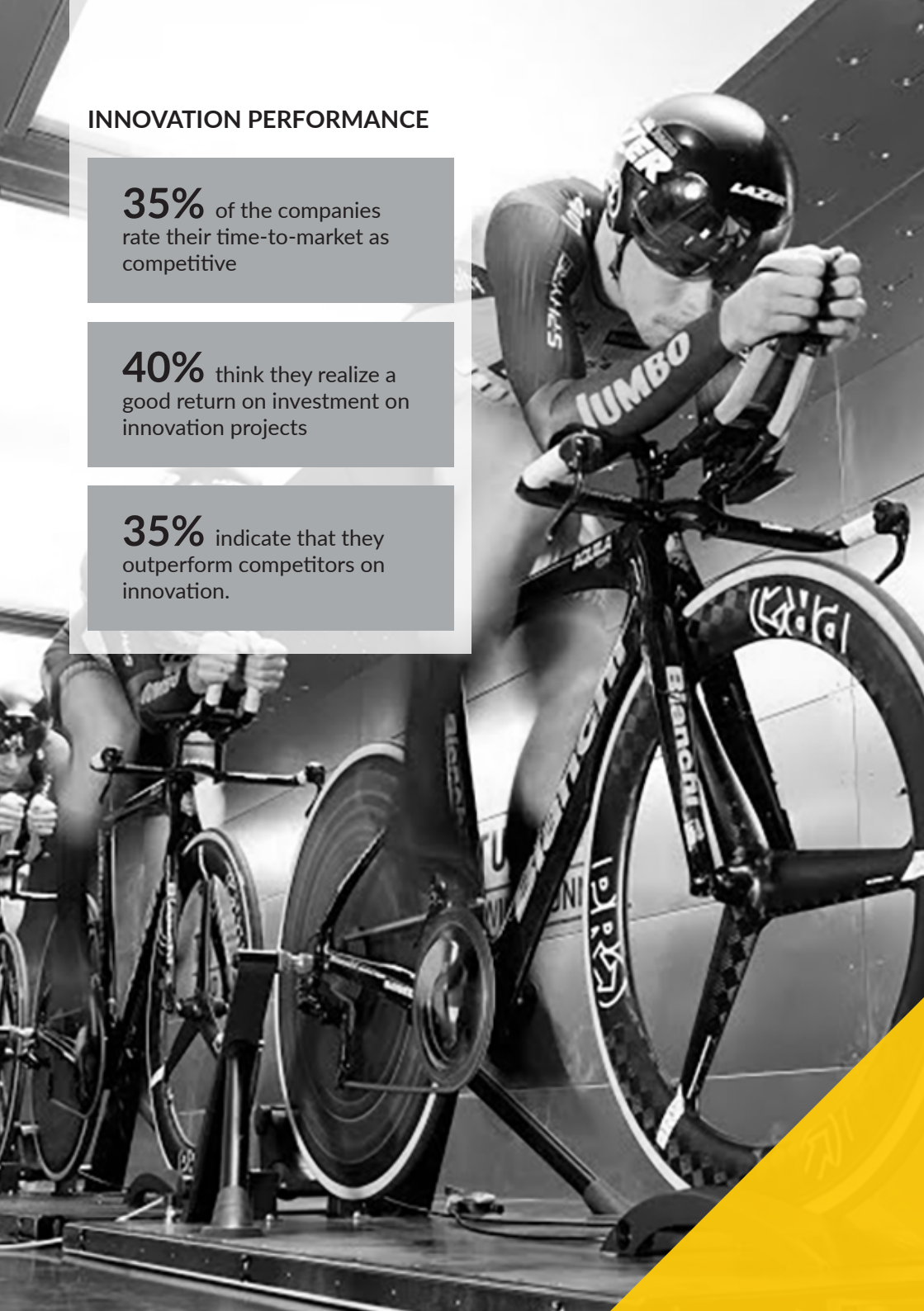


INNOVATION PERFORMANCE

35% of the companies rate their time-to-market as competitive

40% think they realize a good return on investment on innovation projects

35% indicate that they outperform competitors on innovation.



SO NOW WHAT?

Take your business on the journey towards being a successful innovator

There is no silver bullet for improving your innovation power. It is not a single project that you run and not just a responsibility that you can delegate to your innovation manager. Improving your innovation performance will affect many aspects of your business and the way it is run.

Improve in seven key areas

To become a best-in-class innovator and prevent your business from being disrupted, there are 7 key areas that you need to develop:

1. Innovation strategy
2. Consumer centricity
3. Organizational agility
4. Organization of innovation
5. Innovation portfolio management
6. Innovation skills and competencies
7. Innovation leadership and culture

Assess your own innovation power

Obviously, you cannot change everything at once. But what you can do for starters is assess your innovation power on the best practices in our Innovation Readiness Benchmark. With the help of our benchmark, you can identify the biggest gaps between your organization and best-in-class innovators.

Commit to the journey

You can use the insights this delivers as a starting point on the road to becoming a successful innovator yourself. Be aware that improving your innovation performance is in the end about committing to a journey. A journey that will hopefully deliver you great results but in which you for sure will also have to overcome many obstacles. Like best-in-class innovators have done before you.

“Any Industry can and will be disrupted.”

RevelX

Complacency is the enemy of relevance. Too often, incumbents are disrupted by smaller, nimbler competitors who offer superior solutions. These disruptors become successful by solving problems that have been created by incumbent players, or they introduce fundamentally new business models like the recent surge in sharing platforms demonstrates Uber and Airbnb).

The disruptors, apply a potent mix of innovative technology, digital platforms data and – last but not least – a start-up mentality and way of working.

Even disrupters get disrupted

The complacent company will one day wake up in a new reality and find out that the disruptor has already taken a big chunk of its market share and that profitability is rapidly eroding, but by then it is often too late to strike back or take countermeasures.

BlackBerry and more recently TomTom taught us that even a disruptor can be disrupted. Less than ten years ago, both companies disrupted their respective markets and showed impressive growth rates. Today, both companies seem to have lost the battle to tech giants like Apple, Samsung, and Google and are desperately searching for ways to stay relevant.

Technology is a key driver for disruption

So, any business has to be on the lookout for disruptive technologies that can disrupt their business. And more importantly, they must try to find potential sources of disruption and use these to become a disruptor themselves.

What are the main disruption concerns?

66% of the companies in our benchmark think there is a serious risk that their industry will be disrupted.

Artificial Intelligence

is considered the #1 driver for disruption

Key Sources of Disruption



60%

thinks their industry focuses too much on products instead of experience and service



53%

thinks customers lack transparency on pricing and added value



52%

believes customers have serious use pains that are not addressed

Technological Drivers for Disruption

% of companies that thinks this technology will likely cause disruption



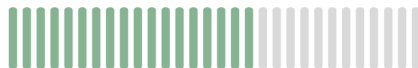
Artificial Intelligence



73%



Internet of Things



61%



Blockchain



43%



BMW and Mercedes: To disrupt or to be disrupted, that is the question!

For many years, the big car brands like Mercedes, Audi, and BMW rode on the waves of economic growth and increasing income. But fundamental changes in our society are now threatening the very essence of their business model.

Disruption from many angles

Urban congestion and pollution have quickly changed the image of cars and the non-electric ones in particular. In addition to that, most big brands are now struggling with the aftermath of the CO₂-emission scandals. Also, younger generations no longer consider a car as the ultimate status symbol and are shifting from owning a car to sharing one.

Find a partner to survive

In an attempt to fend off disruption by Uber, Didi, and other tech start-ups, BMW and Mercedes have now joined forces in a remarkable partnership between two life-long enemies. They are combining their loss-plagued, car-sharing ventures, Drive-Now and Car2Go, and aim to offer a full mobility solution. This will include taxi services, e-charging, and e-bikes. The partnership will be based in Berlin, far away from their corporate head offices and in a fast-developing, tech ecosystem. This will shake the very foundation of their own business models and could potentially disrupt their own industry. Time will tell whether they have woken up in time!

SO NOW WHAT?

Become a disruptor yourself!

BMW and Mercedes have realized that an attack is the best defense. Instead of waiting to be disrupted, become a disruptor yourself.

Change the rules of the game

Be vigilant about potential “fault lines” in your own organization or industry as a whole. These fault lines signal weaknesses in tried-and-true business models. Finding the fault lines often requires shedding commonly accepted myths and beliefs about how the industry functions and how the organization plays to the traditional rules of the game. Innovators and disruptors play outside the boundaries and change the rules of the game.

Tap into the start-up scene

When you are a big corporate, it is vital to stay tuned to what is happening in the start-up scene. Scout for promising ventures, learn from their disruptive ideas and translate the most promising ones into your own business.

Build your own disruptor

You can use these insights to unleash the creative potential within your organization. It never ceases to amaze us what the collective brainpower of an organization can deliver. Challenge people to build their own disruptor. Encourage them to start with a blank sheet and without any restrictions from traditional beliefs.

Make sure you then create the right conditions for these potentially disruptive ideas, which could, for example, be done by developing them outside the confines of your corporate structure, as BMW and Mercedes are doing. Taking this route is a good idea because corporate structures are in general not the best breeding grounds for disruptive ideas.

INNOVATION STRATEGY

“The best way to predict the future is to create it”

Peter Drucker

Any self-respecting business defined its strategy at a certain point. Yet too often we come across strategy documents that are ill-defined, outdated, unrealistic, or a combination of all three.

Having a defined strategy, however, does not mean you also have an innovation strategy that defines where, how, and when you innovate. This is underlined by the results from our Innovation Readiness Benchmark which found that only 53% of the companies agree with the statement that they have a well-defined innovation strategy and roadmap.

Address all ten types of innovation with your innovation strategy

A strong innovation strategy aims to innovate the complete business model. It goes way beyond developing the next, slightly improved version of an existing product. It includes new service propositions, new customer experiences, new revenue streams, alternative distribution channels, new processes, and partnerships.

In short, your innovation strategy should address all ten types of innovation that are described in the must-read book *Ten Types of Innovation: The Discipline of Building Breakthroughs*.

Ten types of innovation

Configuration				Offering		Experience			
Profit Model 	Network 	Structure 	Process 	Product Performance 	Product System 	Service 	Channels 	Brand 	Customer Engagement 

Source: *Ten types of innovation*, Larry Keeley

INSIGHTS FROM THE BENCHMARK

Strong innovators

Score **4,1** average on the five innovation strategy best practices.

Versus **2,9** for the companies with a weak innovation performance.

(on a scale from 1 to 5)

INNOVATION STRATEGY FINDINGS

On average, **major companies** have a more well-defined innovation strategy than smaller companies, and they also have a more profound understanding of potential disruptions.

82% of all companies focus innovation on their **entire business model** (and not just products)

45% of the companies that think the disruption risk is high does not have a well-defined innovation strategy

Breakthrough innovation for international airports

Vanderlande is the world market leader in luggage handling at airports and a major player in material-handling systems for warehouses. Yet, when redefining their strategy, Vanderlande realized that international airports are faced with big challenges regarding space constraints and flexibility to accommodate the spikes in travelers using their airport.

These include challenges that the traditional conveyor-based solutions of Vanderlande (and its competitors) could not easily address because they cannot be easily scaled up (or down) and require lots of expensive square meters that airports would rather use for more lucrative purposes.

As a result, Vanderlande decided to invest in a fundamentally new concept using Automated Guided Vehicles instead of bulky conveyor systems. Thanks to state-of-the-art technology and a fundamentally different design, the new FLEET concept is much more flexible and uses significantly less expensive space.

This disruptive idea was born during an innovation ideation session with their senior team that was willing to fundamentally rethink their traditional business model. It has recently resulted in a first pilot that, if successful, will be scaled up and will likely shake up their market.



SO NOW WHAT?

Define an inspiring innovation strategy!

To become a successful innovator, you should have a clear and inspiring “north star” to guide your innovation strategy.

Address the fundamental questions

You should be able to answer the following questions:

- Which disruptions are likely to hit your industry?
- What is the innovation angle that will safeguard the survival of your business?
- How will you change the rules of the game?
- What does that mean for your business model?

These are the rarely asked questions in the 3-year plan cycles we see in many corporate environments and definitely not in their annual budgeting process.

Include innovation in your strategy process

Too often the focus in these “ritual rain dances” is on extrapolating on past results, even though we all know by now that past results are by no means a guarantee for future success.

Based on our benchmark data, we conclude that it is essential to put innovation explicitly on the agenda in your strategic planning process.

Cover all three horizons

An example is defining your roadmap using the Three Horizons approach that is finding its way into many companies. This will challenge your team to think not only about incremental, short-term innovations (Horizon 1) but also about longer term disruptive innovations (Horizon 2) and transformative innovations (Horizon 3).

CONSUMER CENTRICITY

“The single most important thing to focus obsessively on is the customer.”

Jeff Bezos

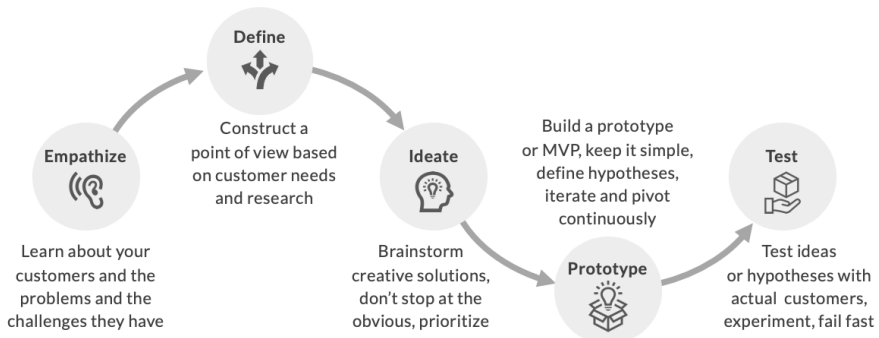
Too often we see seemingly great product innovations that deliver nowhere near the exponential growth figures promised at the start of the project simply because the customers did not need it, did not like it, or found a better solution. Customer centrality is all about making your customers and their (future) needs the starting point and top priority for innovation.

It starts with truly understanding what drives your customers and how they perceive your business, its products, and its services.

Truly customer-centric companies frequently validate innovation ideas and prototypes with their customers to be sure they are on the right track. And throughout the innovation process, they continuously ask one simple question: “Does this add value to the lives of our customers?”

The design thinking process summarized below has therefore rapidly gained ground within leading innovators and start-ups.

The design thinking process



Consumer centricity made Amazon the world's most valuable business

At the very heart of Amazon's success is the total obsession with customer centricity. Their motto is to start with the consumer and then work backward, not the other way around.

This is supported by an amazing data capability that delivers Amazon an unparalleled insight into customer behavior, needs, and preferences. This results in a strong focus on delivering a superior customer experience.

This applies not only online but also offline as the Amazon Go concept shows. Customers no longer have to wait in line to pay, a big dissatisfaction as we all know, but can just walk out without even having to scan their groceries. It is only a matter of time before Amazon will roll out this concept in the Whole Foods retail chain it bought in 2017 and shake up offline retailing with their customer-centric mindset.



INSIGHTS FROM THE BENCHMARK

Strong innovators

Score **4,1** average on the five customer centricity best practices.

Versus **3,4** for companies with a weak innovation performance.

(on a scale from 1 to 5)

Most companies include customers in their innovation process



74%

tests innovation hypotheses or prototypes with their customers.



76%

actively explores future customers' needs as starting point for innovation.



79%

invites customers to discuss innovation ideas.

SO NOW WHAT?

Adopt a customer-centric mindset and way of working

Becoming truly customer-centric will not happen overnight nor by accident. Some companies have it in their DNA, successful start-ups in particular. Others have to work hard to become more customer-centric. A simple first step is the following: with every important innovation project, ask yourself what your customers would want. And even better, ask your customer before you start burning big budgets on projects in which customers are not interested.

But obviously, this is not enough. To become truly customer-centric, you will have to find new ways to gain insight into customer needs and behavior and use different customer-focused metrics for measuring innovation success.

Furthermore, you will most likely have to rethink your innovation processes to make sure the voice of the customer is heard in every step. This often requires different competencies and more importantly a customer-centric mindset. Because, as Amazon teaches us, that is the single most important starting point for customer-centric innovation.



07

AGILITY

**“It is not the strongest that survives,
but the one most adaptable to change”**

Charles Darwin



In an era of rapid change and multiple technological forces, innovation processes have to be agile. Traditional sequential development cycles often fall short in terms of their time to market but also in terms of their success rates.

Best-in-class innovators have integrated the principles of design sprints, rapid prototyping, and minimal viable product (MVP) development in their innovation process. And they recognize that multidisciplinary teams outperform the traditional functional silos that are still dominant in many organizations.

**“At Google we applied the
Wizard of Oz method”**

Noud van Alem
Partner RevelX,
Former Marketing Director at Google



Agility at Google

Agility is as much a mindset as it is a way of working. RevelX partner Noud van Alem held marketing director positions at Google in Europe, the US, and Asia. His time at this search giant gave him great insights into the Agile mindset.

Wizard of Oz method

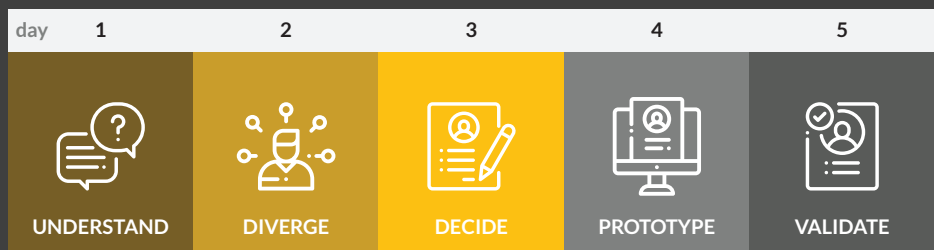
“In 2010, I started working at Google headquarters in San Francisco. There, we discovered what I call the ‘Wizard of Oz’ method. As you well know, in the classic movie, the wizard is exposed as a simple man behind the curtain without special powers. The same illusion can be achieved when speaking of an MVP, a very simple version of what might become the product. At the front, it functions as it should; but in the back, it’s all handcrafted and just hanging together. This is used to test out in a simple and cheap way whether or not the user wants this product.” says van Alem.

At Google, Noud used the “Wizard of Oz” method in the development of a product called AdWords Express.

“This is basically a simplified version of AdWords which is easier to use. Based on their URL, customers were given keywords that were relevant to their company. With a click of a button, clients automatically received an advertising campaign. Well, ‘automatically’ really meant that at the back-end there were a bunch of students that very quickly typed ad texts, but the user didn’t notice that. When this experiment proved successful, we further developed AdWords Express.”

To test a product you don’t need to have the final product ready. More important is the agility to adapt.

Google 5 day design sprint



INSIGHTS FROM THE BENCHMARK

Strong innovators

Score **4,1** on the five organizational agility best practices.

Versus **2,1** for companies with a weak innovation performance.

(on a scale from 1 to 5)

Smaller and Major companies score better on Organizational Agility than mid sized companies with € 50 – 500 mln turnover

Agile Working is Gaining Ground



82%

forms multi-disciplinary innovation teams



52%

adopts agile principles in innovation projects



50%

uses rapid prototyping and experimentation

SO NOW WHAT?

Learn to innovate the agile way!

Introducing a truly agile way of working can be a serious struggle for corporates with their complex processes, inflexible IT, and control-based mindset.

We have learned that “changing the system” can best be started small. Setting up an innovation lab outside the corporate structures is often a good first step. By creating such an innovation lab outside your core business you will not be hindered by all the legacy systems and processes. You can adopt a start up way of working. Start experimenting in such a controlled environment by developing solutions for innovation challenges you have failed to crack in the past years while applying an agile way of working.

Once you have established that this works for your business as well, the next step is to scale up and gradually adopt the principles in your core business organization. Be aware that this often requires a fundamentally different culture and leadership style with a fundamentally different approach towards learning, experimentation and adaptation. But when you succeed in making that transformation you are very likely to boost the innovation power of your business.



INNOVATION PORTFOLIO MANAGEMENT

“Innovation comes from saying NO, to a 1,000 things.”

Steve Jobs

In many organizations, the biggest challenge is not defining new projects. The real challenge is choosing the right projects and executing them successfully.

Successful innovators master the art of Innovation Portfolio Management. They monitor projects on well defined metrics. They only continue projects with a positive business case, and they kill the projects that do not show economic viability and/or product-market-fit.

And they do so very quickly because that enables them to rapidly scale the viable ones with the resources that are freed up.

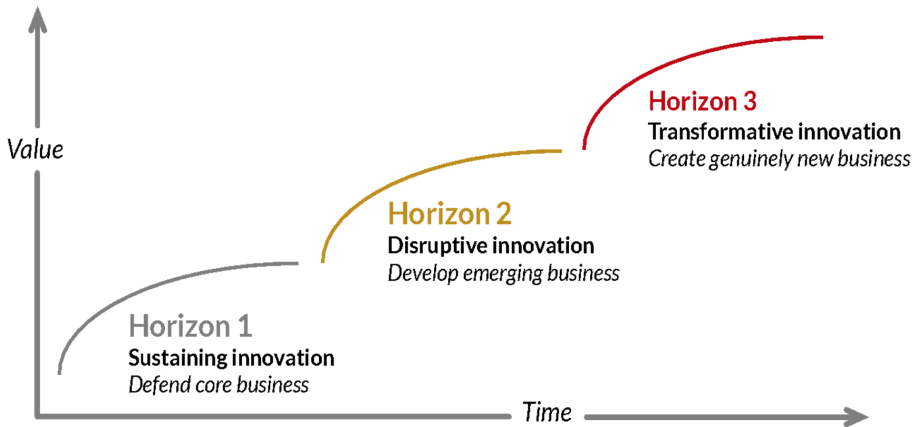
Cover all three innovation horizons

A healthy innovation portfolio focuses on both incremental innovations as well as potentially disruptive innovation.

An often-used framework is McKinsey's Three Horizons model. It challenges you to take both a long- and short-term perspective when defining your innovation strategy and managing your innovation portfolio.

Ideally your innovation portfolio covers all three horizons. This will ensure that you do not only improve today's competitive position, but that you also work on innovations that can safeguard your long term relevance as a business.

Horizon 1 innovations aim to maintain and defend your core business. These are often incremental innovations which are crucial because the current core business delivers the cash flow needed to invest in longer-term innovations. In the example of Mercedes and BMW we discussed before, Horizon 1 is about making cars safer and more fuel-efficient.



Horizon 2 innovations are focused on expanding your business and capturing emerging growth opportunities. These innovations deliver your mid-term growth. Most if not all car manufacturers are now heavily investing in electric cars with a sufficient range for affordable prices. These are typically Horizon 2 innovations that will require them to change key elements of their business model.

Horizon 3 is about disruption and revolutionary change. How can we fundamentally change our industry? The urban mobility alliance of BMW and Mercedes is a good example of a Horizon 3 innovation. Your innovation portfolio should also include a couple of these big bets. These initiatives will not likely deliver short-term profits but are vital for your future continuity.

INSIGHTS FROM THE BENCHMARK

Strong innovators

Score **3,8** average on the five best practices for Innovation Portfolio Management.

Versus **2,7** for companies with a weak innovation performance.

(on a scale from 1 to 5)

Innovation Portfolio Management is the least developed area in our benchmark, with an average score of 3,2 on 5 best practices for portfolio management

Managing Innovation Performance



71%

doesn't report performance of new innovations against the initial turnover targets



61%

are investing in innovation projects without a solid business case



50%

of the companies are not good at stopping innovation projects that show no viability

SO NOW WHAT?

Be bold and brave when managing your innovation portfolio

Building a healthy innovation funnel often starts with killing the projects that somehow are kept alive even though everybody knows they are based on nothing more than wishful thinking. In parallel, you have to create a continuous flow of promising new initiatives on which the resources you have just freed up can focus.

Also, make sure that you have a good stage-gate decision-making process in place that allows you to continuously set the right priorities in your innovation portfolio.

Keep in mind that portfolio management is all about creating the right balance in your innovation portfolio between short-term and long-term innovations, between low-risk and big-bet initiatives, and between starting new projects and killing the non-viable ones.

To paraphrase Steve Jobs: “innovation portfolio management is saying NO to 1,000 things.” This calls for regular evaluations of your innovation portfolio on well-defined criteria and the guts to make bold decisions when needed.



ORGANIZATION OF INNOVATION

“Organizations, by their very nature, are designed to promote order and routine. They are inhospitable environments for innovation.”

Theodore Levitt

The paradox here is that the creative process of innovation needs to be organized as well, especially when organizations increase in size. And, you must do this while taking into account that bureaucracy and procedures are great ways to slow down and demotivate your innovation projects.

As with many things in life, it is all about finding the right balance. Your organization needs to provide structure, well-defined responsibilities on the one hand, and empowerment and the freedom to sometimes bend the rules of the game on the other hand.

Organizational models for innovation

There are various organizational models that you can adopt to build an innovative organization. In the exhibit below seven frequently used models are listed.

Dedicated **innovation managers** are quite common these days. They can work as a catalyst, initiate projects, and support and coach business managers. **Innovation events** are often used for inspiration and can be very useful, provided you also commit to the follow-up.

Nothing is as demotivating as an event delivering many ideas and expectations after which everybody falls back again into the day-to-day fire-fighting.

An interesting development is the increasing popularity of **innovation labs**. Many companies are now setting up teams that are deliberately set aside from the traditional organization in a lab environment that are fully empowered to develop and test new concepts and propositions.

Once product-market-fit is established, this can result in **new business ventures** (at arm's length) that are fully focused on scaling up the new innovation without the legacy and restrictions of the incumbent organization.

Larger corporations regularly opt for setting up a **corporate incubator** aimed at bringing the start-up mentality in-house.

Both large and small companies can boost their innovation by participating in **external accelerators** that provide them access to the innovation power of the start-up scene. And finally, innovation leaders often use **alliances and acquisitions** to gain access to innovations that they cannot develop themselves quickly enough.



INSIGHTS FROM THE BENCHMARK

Strong innovators

Score **4,0** average on the five best practices for organization of innovation

Versus **2,8** for the companies with a weak innovation performance.

(on a scale from 1 to 5)

50%

state that the responsibility for innovation is well embedded in their organization.

Succesful Innovators Organize Innovation



83%

develops strategic partnerships to innovate



56%

uses innovation boards to manage innovation



50%

runs a corporate incubation program

SO NOW WHAT?

Organize for successful innovation

There are many ways to organize your innovation. Depending on the nature of your business and your specific innovation challenges, you have to determine what works best for your business, for example, by answering the following questions:

1. Is it clear in your organization who drives innovation and which responsibility your business managers are expected to take?

If not, then start with making sure these responsibilities are made clear.

2. Is your main challenge ideation and finding new ideas, rapid validation or is the real challenge successful scale-up?

This will determine which of the organizational models described above you should focus on.

3. Do you think you have sufficient innovation power in-house?

If not, you need to put a stronger focus on external sourcing, for example by building alliances and participating in promising ventures.



10

INNOVATION SKILLS AND COMPETENCIES

"If you always do what you always did, you will always get what you always got."

Albert Einstein

Best-in-class innovators have one thing in common. They are totally serious about investing in the innovation skills and competencies of their employees. Our Innovation Readiness Benchmark shows that skills and competencies in particular set the stronger innovators apart from the weaker performers. Innovative companies train their people in innovative thinking and tooling and challenge them to use their creativity. They recruit young innovators and mix them with their senior staff knowing that you need both experience and a fresh perspective for successful innovation. Finally, they understand the need for sharing best practices within their company.

The 5 key innovation competencies

There are many competence frameworks. A simple yet helpful one is the Framework for Innovation Competence Development and Assessment.



Creativity

The ability to think beyond tradition and generate alternatives

Critical thinking

The ability to deconstruct and analyze ideas

Initiative

The ability to make decisions, operationalize ideas, and implement

Teamwork

The ability to work effectively with others in a group

Networking

The ability to involve internal and external stakeholders

INSIGHTS FROM THE BENCHMARK

Strong innovators

Score **4,0** average on the five best practices for innovation skills and competencies.

Versus **2,5** for companies with a weak innovation performance.

(on a scale from 1 to 5)

There is still a lot to win on innovation competencies.
Smaller companies outperform the larger ones on most best practices for innovation skills and competencies.

Bring Your Innovation Skills Up to Standard



54%

actively searches
for external best
practices



45%

thinks they have
many creative thinkers



34%

thinks their people are
well trained in innovation
thinking and tooling

SO NOW WHAT?

Take a team perspective when developing innovation competencies

Developing your innovation skills is an ongoing process that never stops. This starts with a good insight into the strengths and weaknesses of your team.

Key questions in this respect are:

- Does your team have the right competencies on board?
- Is there a good blend of creative thinkers and people who can execute?
- Is your team diverse enough or still predominantly all white and male?
- Do you have a mix of seasoned professionals and digital natives with a fresh perspective and digital competences?

You should use these insights to structure your teams and to focus your recruitment. And make sure your team is continuously trained and coached (preferably on the job) in innovative thinking and tooling. You can do this, for example, by creating a virtual team of innovation champions who develop the competencies of the rest of your team.

You can also do this by bringing in outside experts to make sure you stay tuned to the latest insights and best practices. And whatever you do, never stop wondering how you can further strengthen your team's innovation skills and competencies, because these are the intangible assets that will help you to stay ahead of your competitors and potential disruptors at the end of the day.



11

INNOVATION CULTURE AND LEADERSHIP

**“Only those who dare to fail greatly
can ever achieve greatly.”**

Robert F. Kennedy

Too often, companies get stuck in discussing innovation strategy and processes. While ignoring the fact that their culture is the root cause of their lack of innovation.

As Steve Jobs once remarked: “Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It’s not about money. It’s about the people you have, how you’re led, and how much you get it.”

In an innovative culture, creative thinking is stimulated, smart failures are celebrated (because they provide a learning opportunity), and people are empowered to initiate and execute innovation.

The importance of leadership is clearly confirmed by our benchmark. The Innovation Readiness benchmark includes 35 innovation best practices. Of all these best practices, the companies with a strong innovation performance score the highest (4,6 on a 5 point scale) on the statement: “our leaders are personally involved in innovation projects”. So leadership does matter!

You do not have to be a visionary like Steve Jobs to foster innovation in your business. But you do have to stay involved in key innovation projects, show commitment and make sure your team has the right environment and conditions to innovate successfully.

The Netflix Innovation Culture

Behind the astonishing success of Netflix is a very deliberate investment in building a truly innovative culture. Patty McCord, former chief talent officer of Netflix, reflects on this in a podcast interview with Wharton University:

“At Netflix, we decided to write it down and to experiment a little. We decided to actually pay attention to it. We used it as an onboarding document. Reed (Hastings, Netflix’s CEO) and I would meet with every ten employees in their first couple of months of employment, and we would go over the deck with them and talk about it.”

The famous Netflix culture deck is also published on their recruitment page. What makes Netflix special (in their own view) is that they:

- Encourage independent decision-making by employees;
- Share information openly, broadly, and deliberately;
- Are extraordinarily candid with each other;
- Keep only their highly effective people;
- Avoid rules.

According to Patty McCord: “We very much valued freedom. We very much valued people who have good judgment and make the right calls because they are smart people with good judgment.

But we realized that if we use just the word ‘freedom,’ it implies the freedom to do anything. We didn’t really mean to give people the freedom to do anything. We coupled freedom with responsibility which implies reliability and deliverables.”

INSIGHTS FROM THE BENCHMARK

Strong innovators

Score **4,2** average on the five best practices for innovation culture and leadership.

Versus **2,9** for the companies with a weak innovation performance.

(on a scale from 1 to 5)

Leaders of strong innovators have a much stronger personal involvement in key innovation projects

Differences between strong and weak innovators

Leaders involved in key innovation projects

4.6 **2.8**



Strong innovators Weak innovators

Sufficient opportunities for creative thinking

4.2 **2.7**



Strong innovators Weak innovators

Allowing and celebrating smart failures

4.2 **2.6**



Strong innovators Weak innovators



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NETFLIX

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Kids

Netflix Originals



38%

of the companies incentivizes people on innovation.

Small companies score on average the highest on allowing and celebrating smart failures, which seems to be an improvement area for major companies.

SO NOW WHAT?

Lead by Example

Culture is a big driver for innovation as our benchmark and the example of Netflix show. However, it is probably also the hardest thing to change of all the best practice areas that are included in our Innovation Readiness Benchmark. A vast amount of literature has been written about cultural change, and there are many ways in which you can work on building a more innovative culture.

It all starts with leaders who understand the importance of developing a truly innovative culture. Steve Jobs, Jeff Bezos, and Reed Hastings are icons in this respect, and the success of Apple, Amazon, and Netflix is, of course, a hard act to follow.

But the common denominator that you can start applying tomorrow is that they were personally driving innovation with vision, great perseverance, and relentless and sometimes even obsessive drive.

Therefore, it is not a surprise companies with a strong innovation performance rate the highest in our benchmark on personal involvement of leaders with key innovation projects. So, if you want to develop an innovative culture in your company, you have to make this your top priority, step up to the plate, and lead by example.

Fired up and ready to innovate!?

As said in the introduction, we believe that innovation is the key to sustainable growth. And as we always say at RevelX, any business can and will be disrupted unless you have a superior innovation performance. So, you better make sure your organization is fired up and ready to go!

A simple first check is whether you can answer the following seven key questions with a full “Yes!”

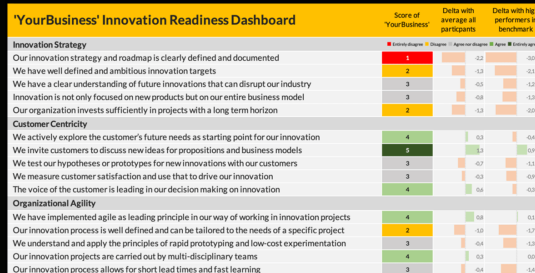
 Innovation strategy	Our innovation strategy aims to reshape our future business model (and not just our products)
 Customer centricity	Our innovation projects are driven by a profound and validated understanding of our (future) customer needs
 Organizational agility	Our innovation processes are based on best practices like rapid prototyping, MVP testing by multidisciplinary teams
 Innovation portfolio management	We manage our innovation portfolio very effectively on well-defined metrics and frequently calibrate our priorities
 Organization of innovation	Our organizational infrastructure fully supports innovation
 Innovation skills and competences	Our organization has outstanding innovation skills and competences that are continuously developed
 Innovation culture and leadership	Innovation is deeply embedded in the DNA of our leadership and our company's culture

For a more detailed assessment of your innovation power, you can join the RevelX Innovation Readiness Benchmark as almost 70 companies have already done before you.

<https://www.revelx.co/innovation-readiness-benchmark/>

So fire up your innovation power and start innovating!

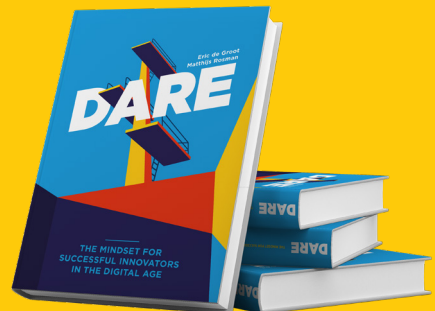
Join the Innovation Readiness Benchmark



Gain valuable insights into how to increase your innovation power. Our Innovation Readiness Benchmark will help you to assess your innovation strengths and weaknesses and to improve your innovation performance.

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