Growth • Innovation • Leadership Council

FROST & SULLIVAN

Executive Brief

Aligning Innovation with Evolving Corporate Strategy

This past July, members of Frost & Sullivan's **Growth Innovation Leadership Council** gathered for a Virtual Executive Assembly (VEA), an interactive discussion on the topic of **Aligning Innovation with Evolving Corporate Strategy.** Not coincidentally, the topic is one of the Growth Innovation Leadership Council's 2019 Critical Issues. Hosted by Ashok Chetty, *Innovation Leader* at DuPont, the meeting consisted of a presentation and group discussion. Key areas of focus included:

- Developing an innovation strategy that leverages existing capabilities and aligns to your organization's vision
- Understanding the capabilities and resources necessary to ensure your innovation program's success
- Determining what type of innovation program is best suited to drive your innovation strategy

Introduction

When Dow and DuPont merged to become DowDuPont, many considered it the merger of the century. Now that the merger has settled, the company has split into three companies: Dow, DuPont, and Corteva. With the split behind them, each company has a mandate to transform into a growth company.

At DuPont, driving change has required a new look at portfolio management as a tool to uncover new opportunities and challenge legacy thinking patterns, with the goal of improving size and ROI of innovation projects. The Virtual Executive Assembly showcased the 'journey to growth' undertaken and ongoing by one multi-billion dollar business unit within DuPont and the implementation challenges faced along the way.

Key Take-Aways for Members included:

- A framework to get teams to think about domains for growth and of big and new opportunities in strategically aligned spaces
- Focus: De-clutter and de-wound the innovation portfolio so projects are resourced for success
- Fresh perspectives to work differently by emphasizing learning plans and business model thinking

To start the discussion, participants were asked, "Is your company's innovation in alignment with overall corporate strategy? Why or why not? What's changing?" In response, one Member shared that corporate innovation varied by business unit and geography and that they were doing more incremental innovation (i.e. add-ons or extension to existing products) rather than working on big innovation initiatives. Other Members stated that organizational innovation used to be more siloed, but that they had recently re-aligned around global innovation strategies.

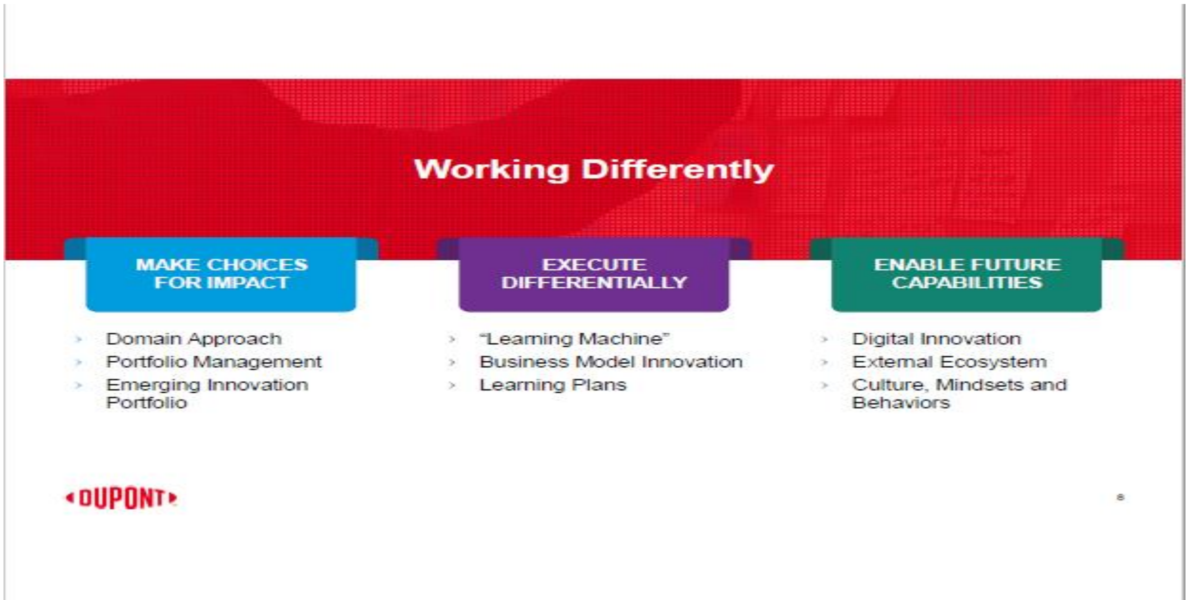
Ashok briefly shared information about the many industries his company currently serves, including construction, transportation, electronics, food and beverage, energy, and water. He explained how his division at DuPont is now organizing strategy around market drivers (connectivity and mobility, safety, and healthy living, for example) and technology drivers such as electronics convergence, biotechnology acceleration and the digital revolution.

Ashok stated that this focus helps them more fully think through their innovation portfolio and recognize opportunities for potential innovation. For instance, changes in digital consumer attitudes and consumers seeking healthier lifestyles are clear market drivers, indicating that DuPont should look at developing products that serve these audiences. The company also seeks to leverage their many technology advancements to improve life for customers and make better products.

The need to increase innovation speed, impact and time to market was a key presentation takeaway. Additionally, the need to move beyond focusing on incremental revenue, i.e., product extensions and updates, and instead look at the big picture and take larger innovation risks was emphasized. How to do so intelligently through research and testing in the marketplace was also covered. Becoming more customer-driven was another important concept.

Balancing Risk and Reward

When asked about their challenges making strategy choices and executing on strategy, one Member shared that it was difficult to balance time commitment with risk and reward. She noted that they were a small organization and struggled with choosing their innovation initiatives, which slowed them down. Another Member shared that they had recently done some restructuring and added new people, and implemented new rules of engagement. They were also utilizing scorecards as they worked to improve their innovation strategy.



Ashok shared how his organization now works differently to define and make more strategically aligned choices by using a domain approach. Essentially, business units work to define large areas of opportunity in different sectors, such as healthcare or electronics. They then examine the marketplace for specific trends, challenges and potential opportunities. Next, they dig deeper to determine which ideas, products or services are worth pursuing. They identify some that may give a near term return as well as others that require more of a long-term commitment, perhaps a 5 year ROI.

Executing to Ensure Future Innovation

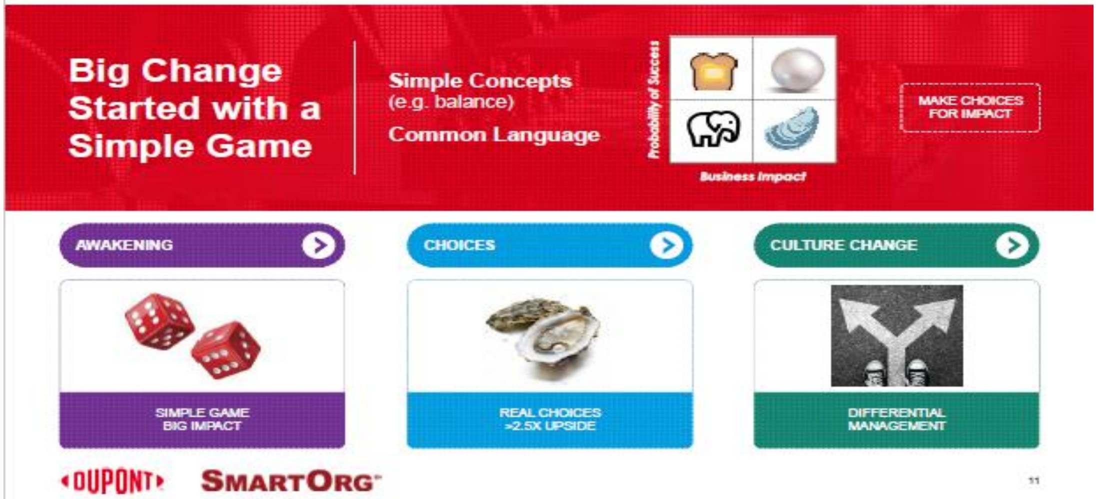
To better identify innovation opportunities in the market, DuPont leverages a "learning machine" approach that might include a "two in a box" team consisting of a technology person and a marketing person. The team examines what is going on in an industry and where innovation and new products or services might make a big impact. An important component of this approach is considering the larger value network and other variables to maximize holistic, big picture thinking. The end goal is to put together a compelling, big-picture business model.

Partners and suppliers can also be an invaluable part of analysis, ideation and implementation. Creating ecosystems that include external input from other knowledge centers can be critical to strategic thinking, as is leveraging external capabilities. This new approach to portfolio management is an important factor in DuPont's evolving innovation strategy. As for results, Ashok shared a safety and business construction example. The actions below contributed to more than 3X return on growth investment and more than 30% improvement in likelihood of meeting growth targets:

- Portfolio de-cluttered (30-40% typical)
- "Wounded" projects eliminated
- Healthy "oyster bed" of new product development established and managed differentially
- Project team critical thinking was improved
- Portfolio management competency was established

Leveraging a New Approach to Innovation

How did DuPont achieve this success? Important factors included a new portfolio approach and consistent portfolio management. The organization began evaluating potential innovation opportunities via the SmartOrg approach, illustrated in the grid shown below:



SmartOrg is a Silicon Valley based company that offers a portfolio evaluation platform and services to help companies drive the upside and make smart investments. Their approach identifies the following:

- **Bread and Butter** initiatives that are easy to do, but provide relatively low value
- **White Elephants** – low impact, low probability of success
- **Oysters -** big high risk projects! Most won't pan out, but when they do…
- **Pearls** - have a high probability of success, and can make a big impact. Organizations need to cultivate pearls

The goal is to create "oyster beds" to identify and cultivate pearls, those projects that are likely to succeed and deliver good returns. (It's worth noting that, in most businesses, you need many oysters to acquire one pearl, since many high-risk oysters will fail.) Looking at their portfolio and possible projects through this approach helped DuPont to speak a common innovation language; more fully define their projects and goals, and make better choices.

Vision + Action Plan = Better Results

Overall, DuPont created a vision and action plan and sought to target high-value spaces and address large scale problems, for greater returns. This was a considerable mind shift from previous organizational efforts that often included a narrower focus, lots of activity, (usually "fixing leaks") and generally disappointing results.

Of course, company culture plays a big part in any initiative. Ashok asked Members to comment about the innovation culture in their companies. One Member stated that culture is a big challenge in his organization, complicated by the fact that each geographical region of his global company seemed to have a different culture. He shared that they were looking externally for ideas and people to improve this. Another Member said that reward and recognition went a long way in fostering innovation and aligning their efforts. Yet another stated that his company was globally aligned and had recently succeeded in integrating and cross-pollinating the R&D departments across regions; a significant achievement.

As the VEA drew to a close, Ashok reminded Members about the importance of leveraging learning plans, proof points and external input to improve innovation at their own organizations. No doubt all participants left with new insights and tools to help them on their own innovation journeys.

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