

F R O S T & S U L L I V A N

**POWERING INNOVATION  
WITH  
A PROCESS DRIVEN GUT**

*The Growth Pipeline™ Company  
Powering clients to a future shaped by growth*

# TODAYS FOCUS

- Partner, SVP & Chief Solution Officer
- 25 Years of Experience in the Field
- Major Clients: BT, Verizon, USAA, Toyota, Honda, Principal Financial, Intel, PPG, UPS, ExxonMobil, FedEx, and 100+ more
- Managed over 200 innovation transformations
- Worked on Innovation Solutions in over 70 Countries
- 80+ NPS for Our Solutions

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INNOVATION SURVEY ASSESSMENT

2

THE INNOVATION CONTINUUM

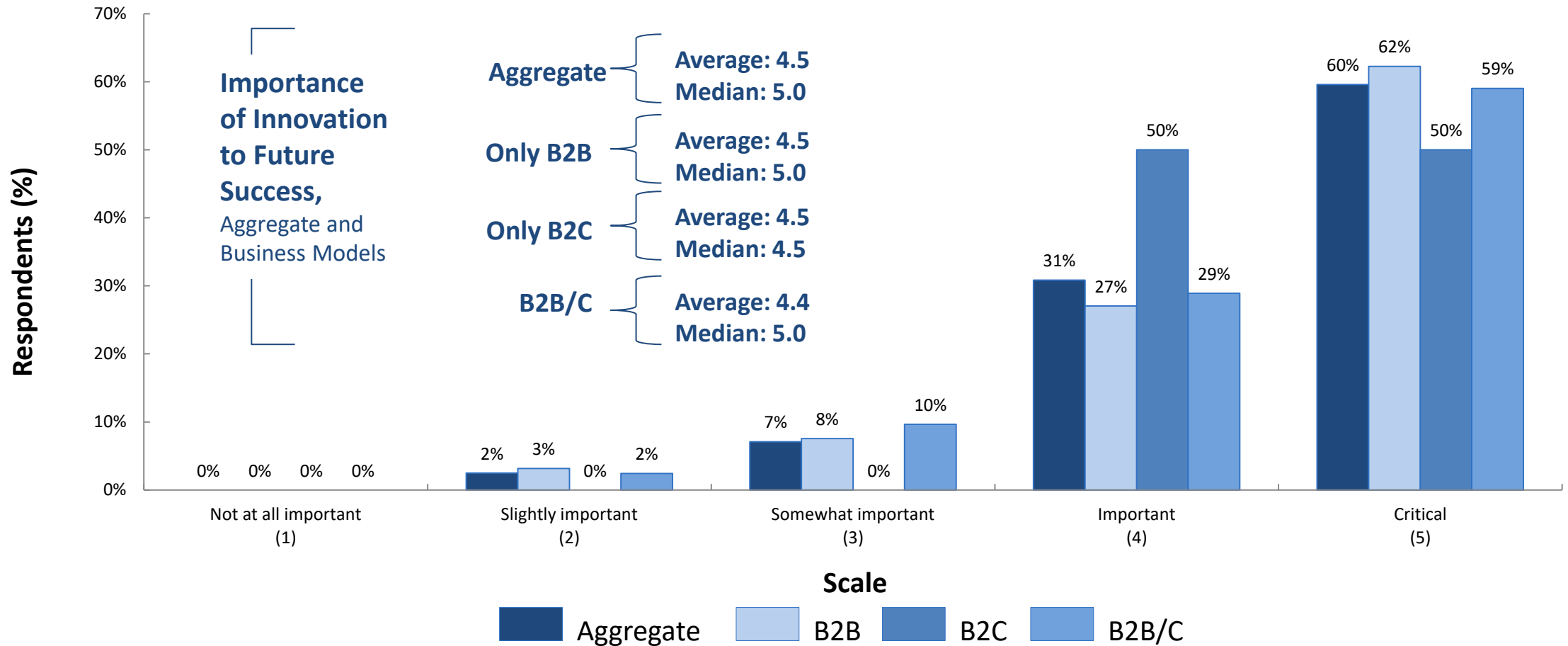
3

INNOVATION GROWTH OPPORTUNITIES

# HOW IMPORTANT IS INNOVATION?

THE MAJORITY OF ALL RESPONDENTS (APPROXIMATELY 60%) STATE THAT INNOVATION WILL BE CRITICAL TO THE SUCCESS OF THEIR COMPANIES OVER THE NEXT 5 YEARS.

## VIG's State of Innovation Survey: Importance of Innovation to Company's Future Success, Aggregate and Business Models, Global



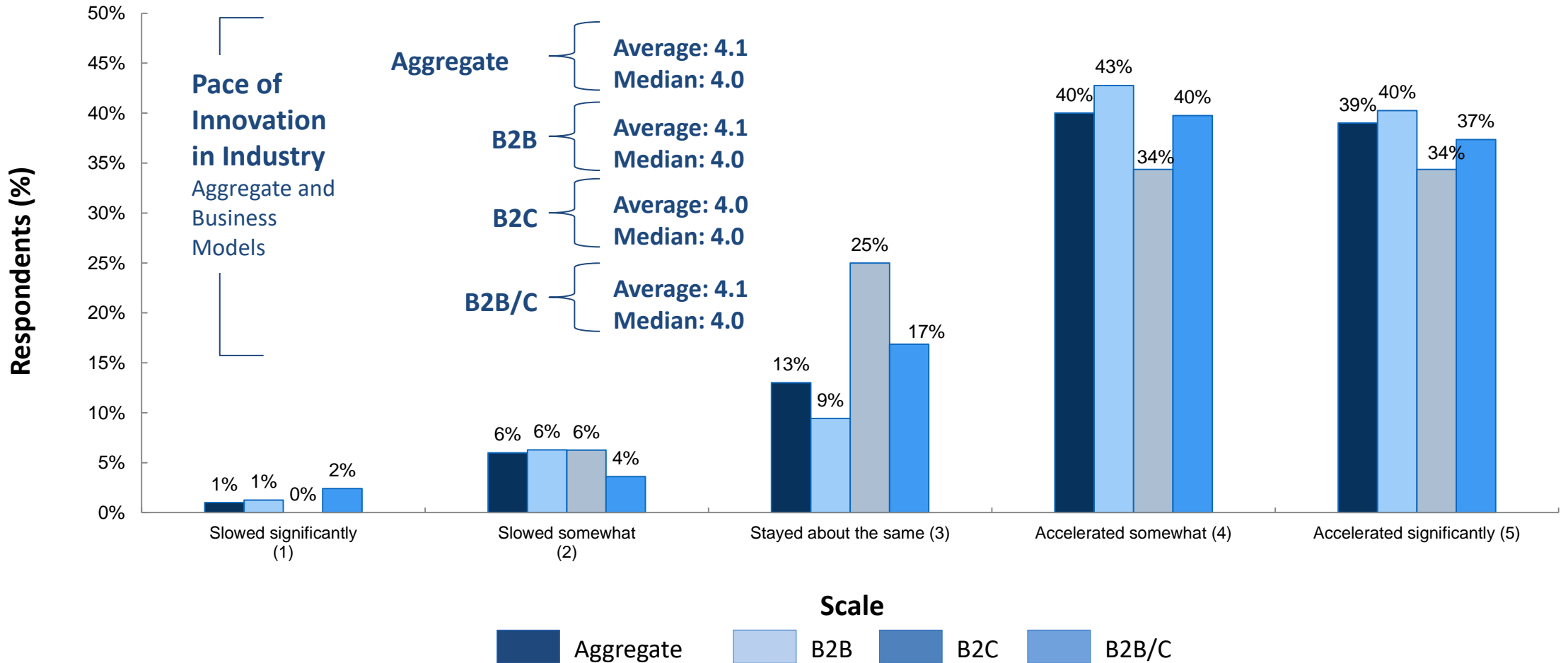
N = 282  
 N = 159  
 N = 32  
 N = 83

Q. Given the pace of innovation in your industry/ies, please indicate how important innovation will be to your company's future success (over the next 5 years)?

# IS THE PACE OF INNOVATION ACCELERATING?

TWENTY-FIVE PERCENT OF B2C RESPONDENTS REPORT THAT THE PACE OF INNOVATION WITHIN THEIR INDUSTRIES HAS STAYED THE SAME OVER THE LAST 5 YEARS, LIKELY REFLECTING THE FACT THAT INNOVATION WITHIN B2C IS GENERALLY FAST PACED.

VIG's State of Innovation Survey: Perception of Innovation Pace in Industry, Aggregate and Business Models, Global

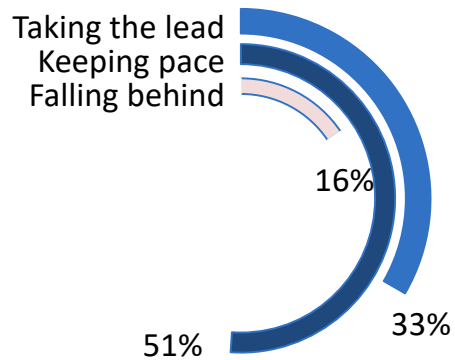


Q. Compared with 5 years ago, the pace of innovation in your industry/ies has....

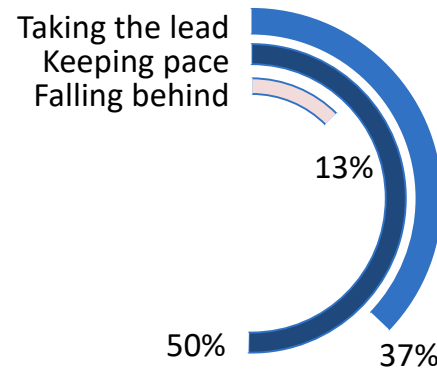
# HOW IS YOUR COMPANY RESPONDING TO INNOVATION ACCELERATION?

MOST RESPONDENTS REPORT THAT THEIR COMPANIES ARE KEEPING UP (RATHER THAN BEING PACESETTERS OR LAGGING BEHIND) WITH THE CURRENT PACE OF INNOVATION IN THEIR INDUSTRIES.

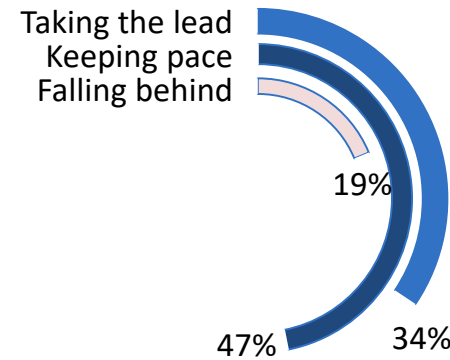
## VIG's State of Innovation Survey: Assessment of Company Pace in Innovation, Aggregate and Business Models, Global



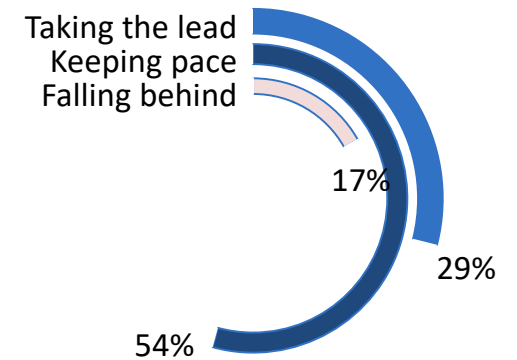
AGGREGATE



B2B



B2C



B2B/C



Although 72% of respondents indicate that their companies' executives are either driving or significantly driving innovation within their industries, most companies are only keeping pace with change.

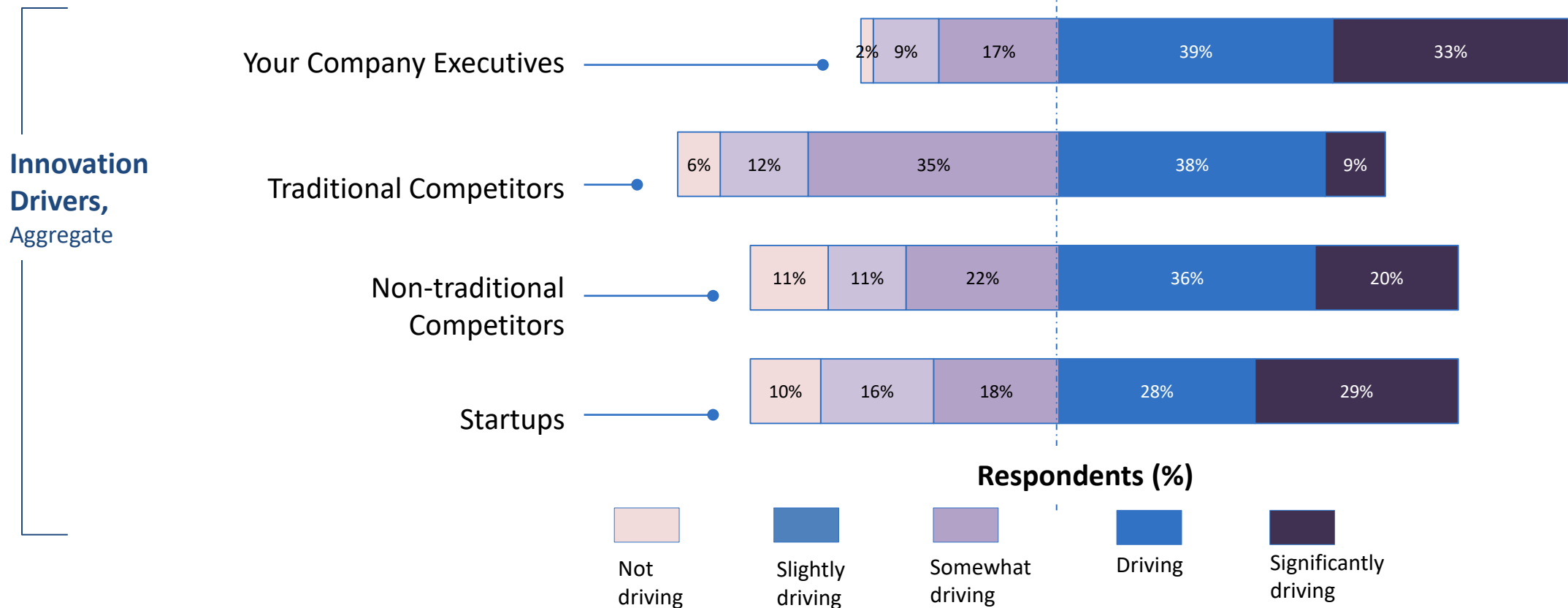
N = 267  
N = 151  
N = 29  
N = 79

Q. Compared with the pace of innovation in your industry/ies, your company is...

# WHO IS DRIVING INNOVATION EFFORTS?

INTERESTINGLY, 72% OF RESPONDENTS SUGGEST THAT THEIR COMPANIES' EXECUTIVES ARE DRIVING INNOVATION IN THEIR INDUSTRIES WHILE ONLY 47% BELIEVE THE SAME OF TRADITIONAL COMPETITORS.

VIG's State of Innovation Survey: Innovation Drivers for Industry of Operation, Aggregate, Global



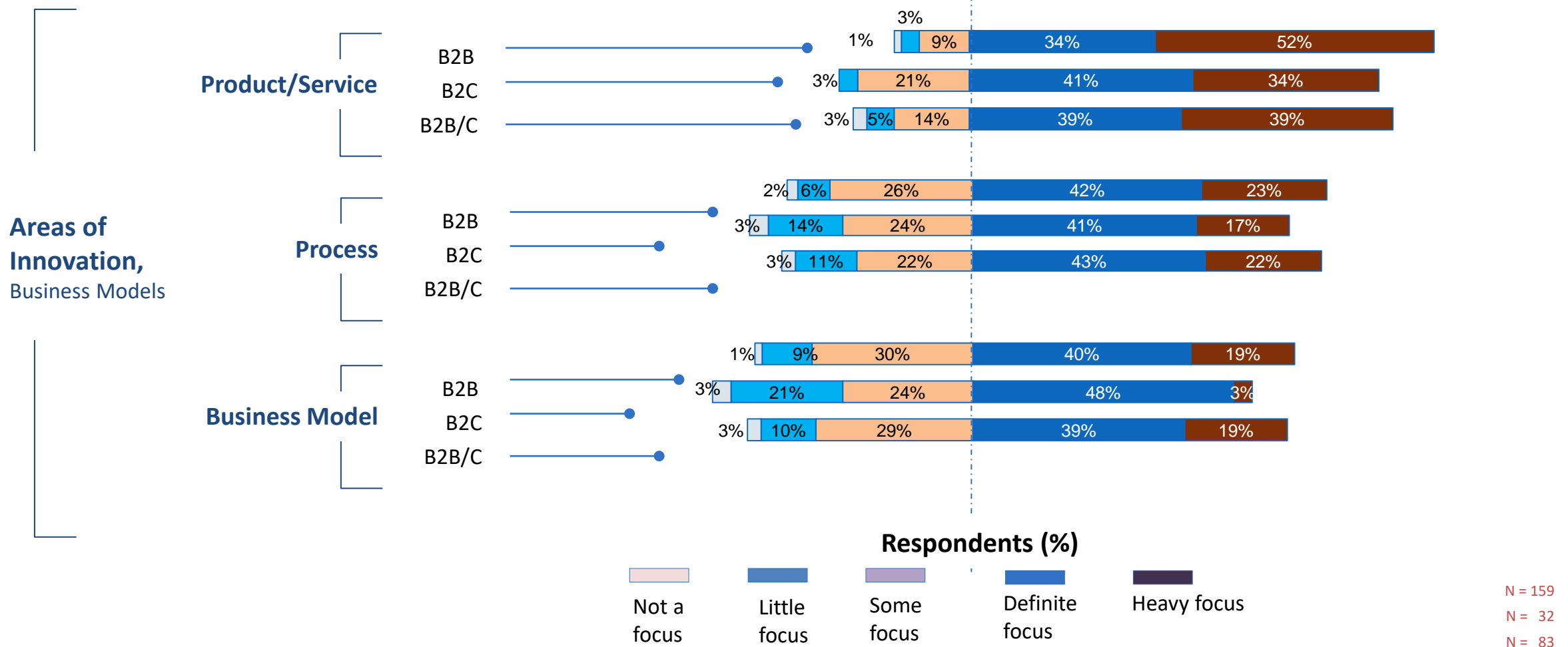
N = 282

Q. Please indicate the degree to which the following elements are driving innovation for the industries in which your company operates.

# ON WHICH AREAS OF INNOVATION IS YOUR COMPANY FOCUSED?

BUSINESS MODEL INNOVATION RECEIVES THE LEAST ATTENTION FROM COMPANIES ACROSS ALL BUSINESS MODELS.

VIG's State of Innovation Survey: Degree of Focus for Areas of Innovation, Business Models, Global



Q. Please indicate to what degree your company is focusing on the following areas of innovation.

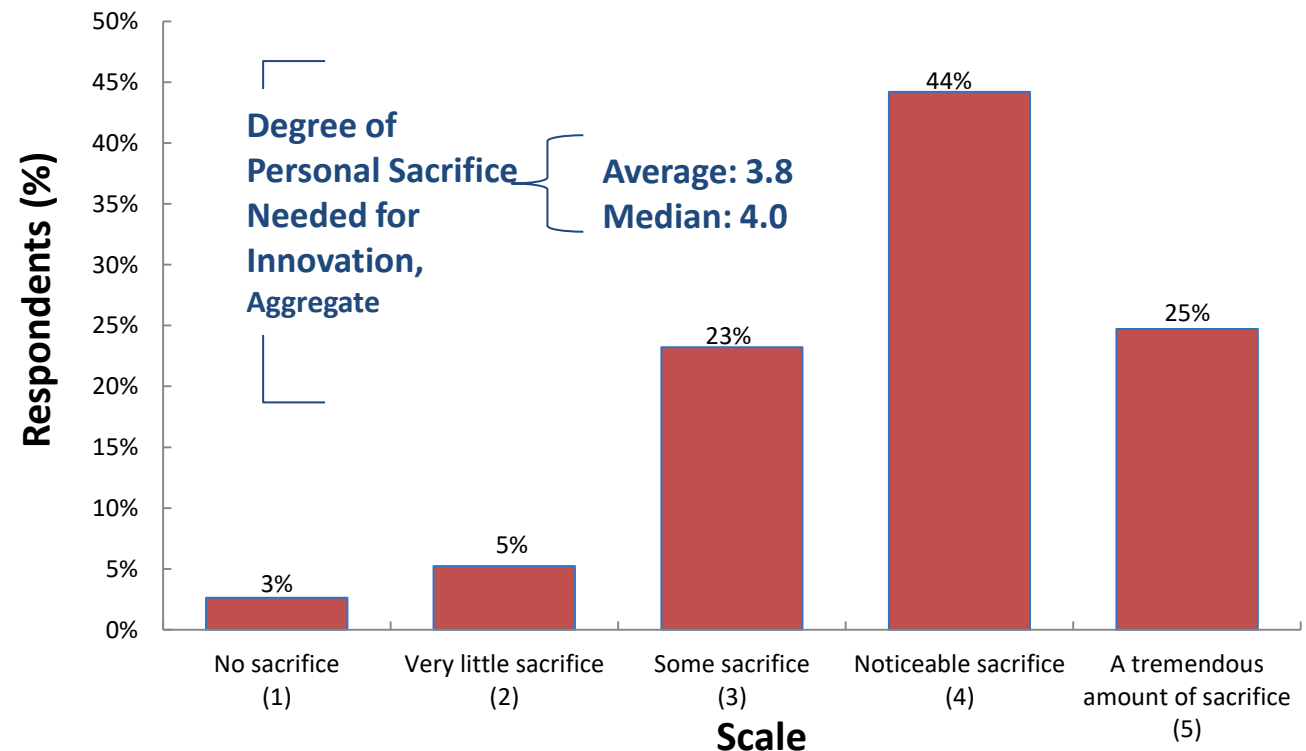
# WHAT IS NEEDED TO DRIVE INNOVATION?

CREATIVITY IS CITED AS THE NUMBER ONE ATTRIBUTE NECESSARY FOR INNOVATION, WHILE 69% OF RESPONDENTS BELIEVE A HIGH DEGREE OF PERSONAL SACRIFICE IS REQUIRED FOR CHAMPIONING INNOVATIONS WITHIN A COMPANY.

## VIG's State of Innovation Survey: Top Attributes for Driving Innovation, Aggregate, Global



## VIG's State of Innovation Survey: Degree of Personal Sacrifice Required for Championing Innovation, Aggregate, Global



Q. Please rank the top 3 attributes (with 1 representing the most important attribute) that describe the type of personal leadership that is/would be required to drive innovation within your company.

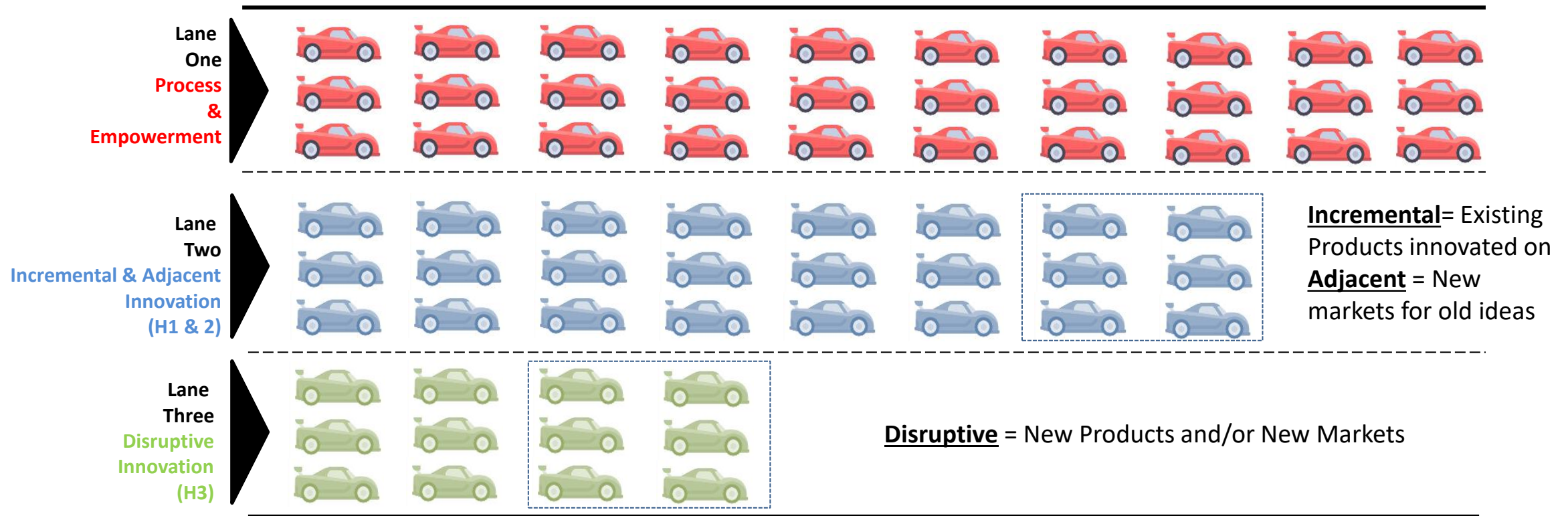
Please indicate the amount of personal sacrifice (e.g., time, energy, stress) that is/would be required of you to champion innovation within your company.

N = 267



# SIMPLIFYING INNOVATION EFFORT

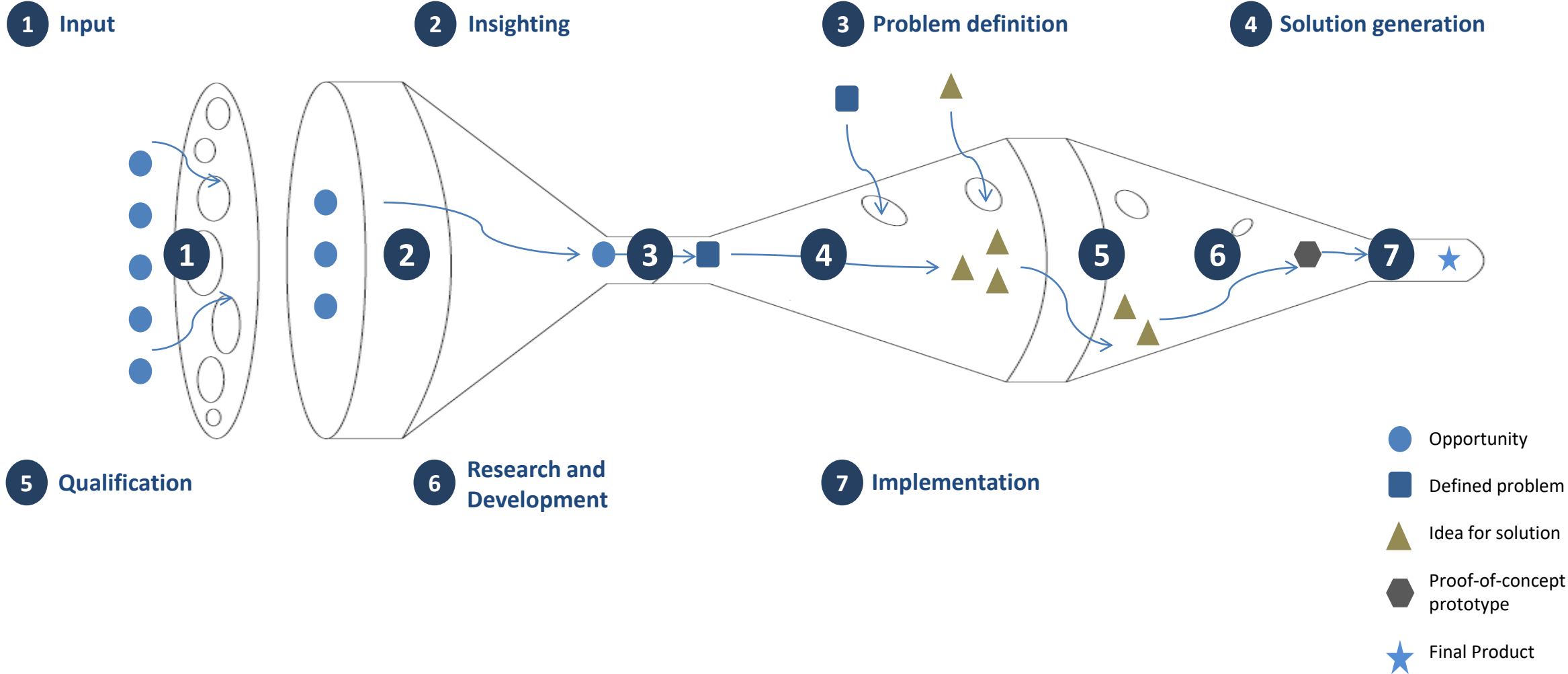
Innovation is the **ability to create and sustain competitive advantage** in existing, emerging and new markets. To sustain one has to ensure three levels of focus that will differ based on your organizational readiness. In Lane one, every person (represented as a car) must be involved in the innovation process and empowered. The mix of Lane one and Lane two will reflect the risk profile and industry. This may differ from company to company from 70/20/10 to 50/30/20. It is critical to ensure existing solutions are maximized through ongoing innovation.



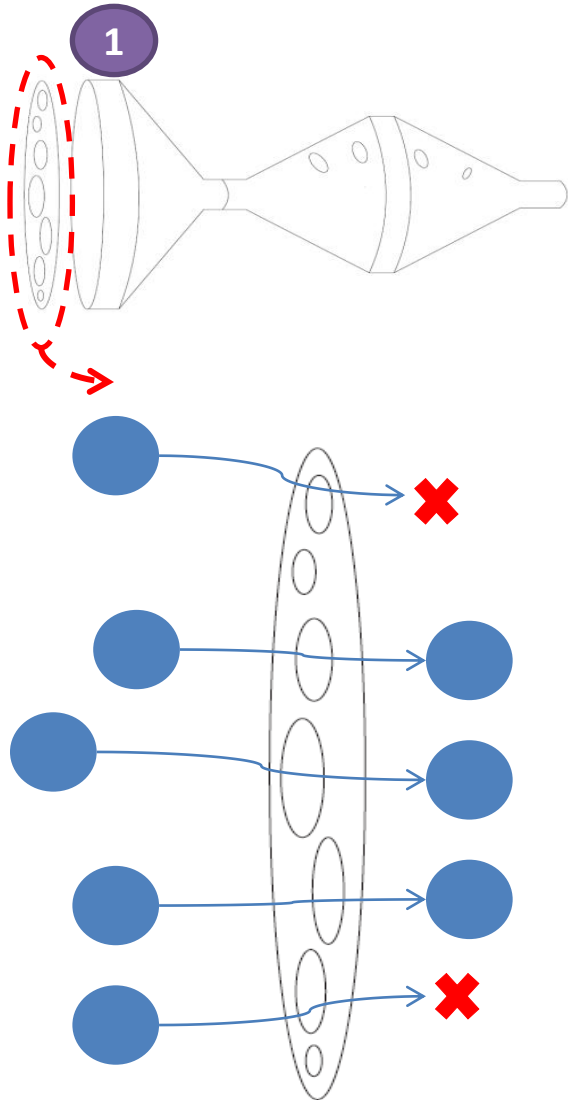


# THE INNOVATION CONTINUUM

# THE INNOVATION ENGINE HAS 7 KEY STEPS



# THE INNOVATION PROCESS - INPUT



## Key Activities

- **Identification of opportunities** through customer, consumer or market studies, demographic analyses, data platforms, competitor analyses, trend analyses (including **mega-trends**) and customer feedback
- **Pre-screening of opportunities** to ensure alignment with company strategy and vision

## Participants

- Marketing teams, researchers, internal and external stakeholders

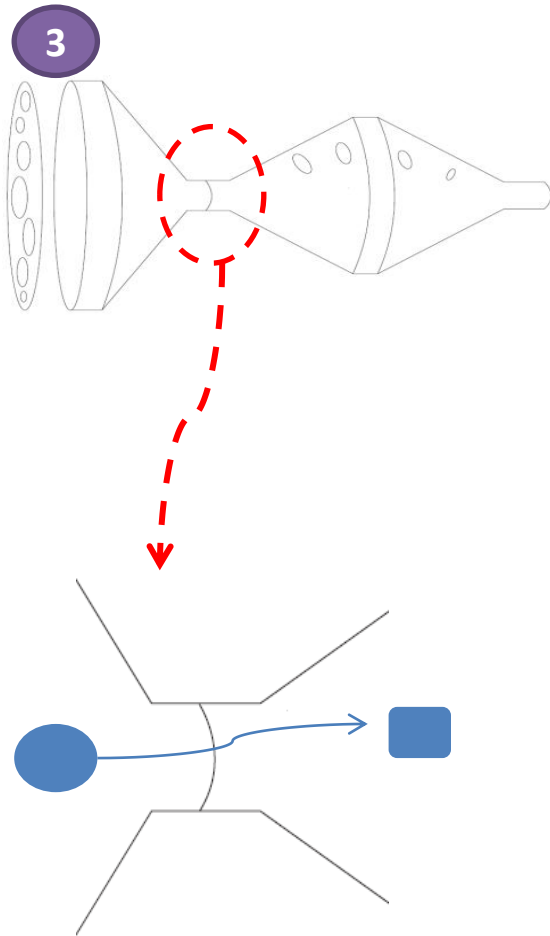
## Key Deliverables

- A selection of relevant and **strategically aligned opportunities**
- **Market insight**

## KEY SUCCESS FACTORS

- INCORPORATING **Lane 3 thinking into sourcing ideas**, e.g. from economic, demographic or mega trends, encourages Lane 3 innovations
- DIVERSITY of thinking by ensuring teams are viewing through individual and personal lenses (yes even B2B)
- MEASURING early by ensuring you have a common way of assessing all observations

# THE INNOVATION PROCESS – PROBLEM DEFINITION



## Key Activities

- Evaluating outcomes (i.e. opportunities) from step 2
- Converting each opportunity into a problem or a set of problems
- Converting each problem or set of problems into an innovation challenge
- Capturing and registering all concepts, filtered out concepts are stored for future potential

## Participants

- Marketing teams, engineering teams (where applicable), innovation teams, management

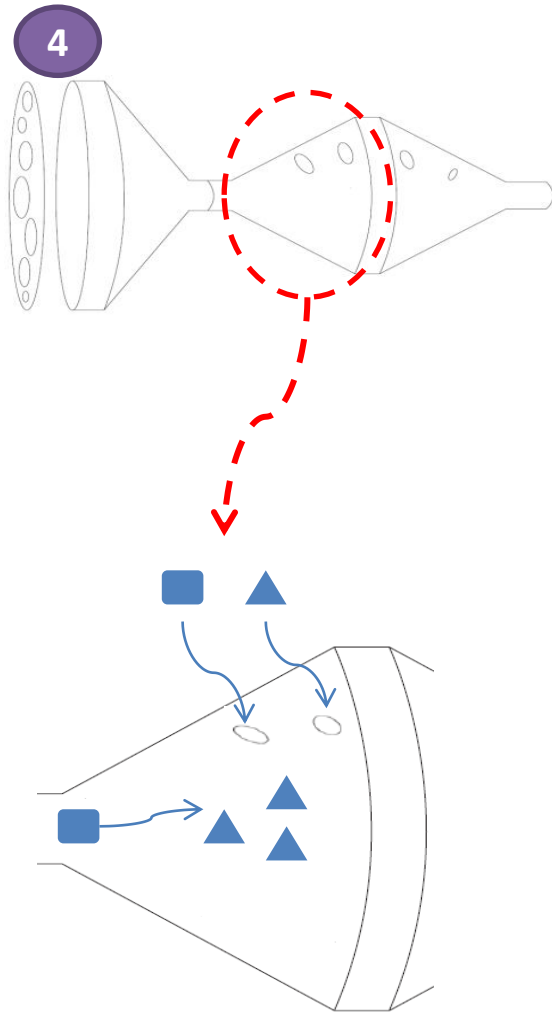
## Key Deliverables

- A **set of problem statements** with defined outcomes (innovation challenges), but no solution yet

## KEY SUCCESS FACTORS

- **EXPANDING** your problem definition team across the organization (do not be narrow)
- **SPENDING** enough time on the actual activity – be rigorous
- **ALLOW** yourself to define the problem from multiple angles

# THE INNOVATION PROCESS – SOLUTION GENERATION



## Key Activities

- **Sourcing ideas and solutions** from a wide variety of internal or external sources (may include a wide variety of **ideation tools**)
- Preparing a **concept document** to clearly define each initiative
- Preparing a **plan for value proposition** development

## Participants

- Ideally anyone in the company together with external participants

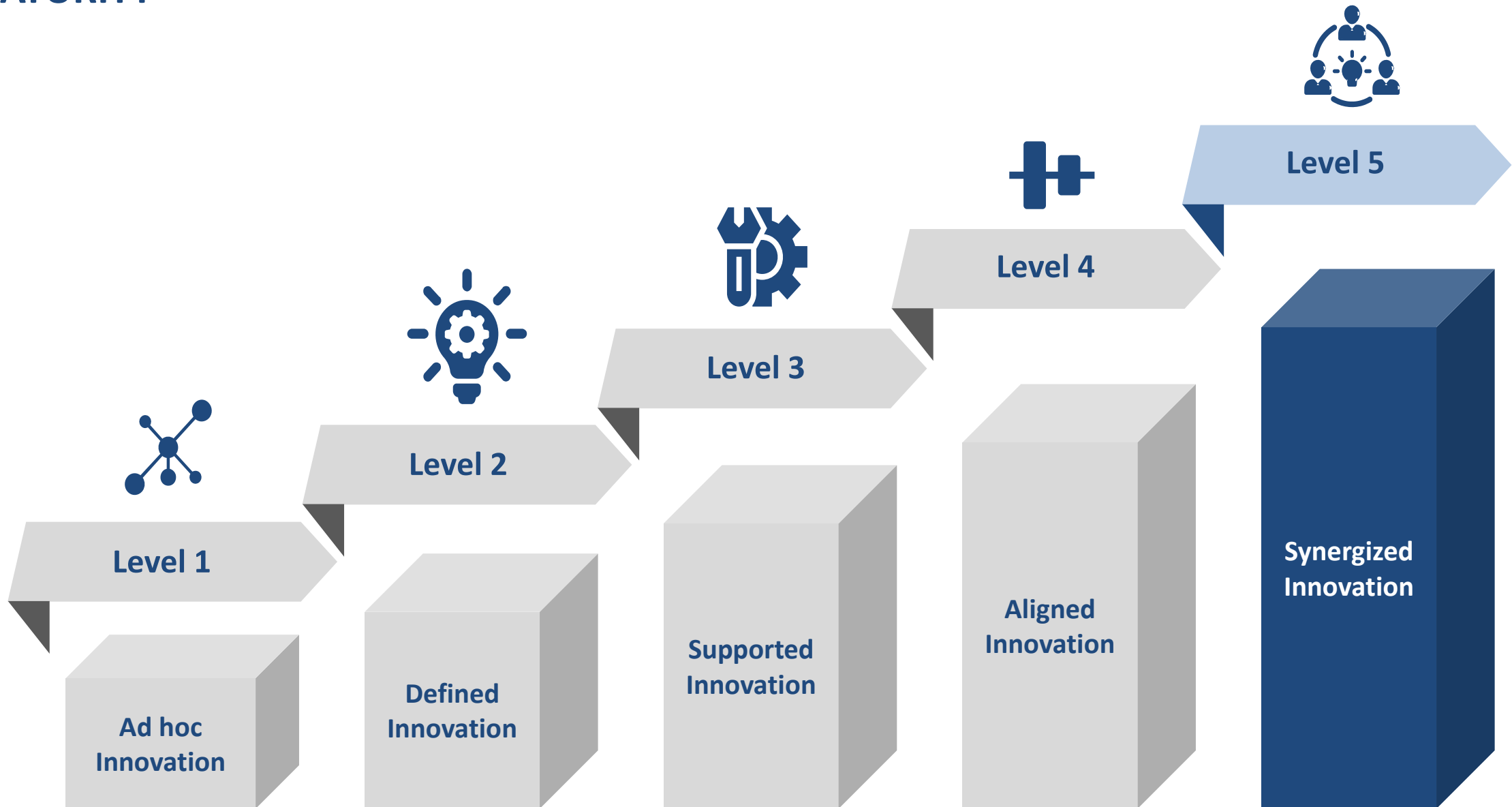
## Key Deliverables

- Concept documents
- A value proposition portfolio of opportunities to be defined further in terms of **financial, risk and expected outcomes**

## KEY SUCCESS FACTORS

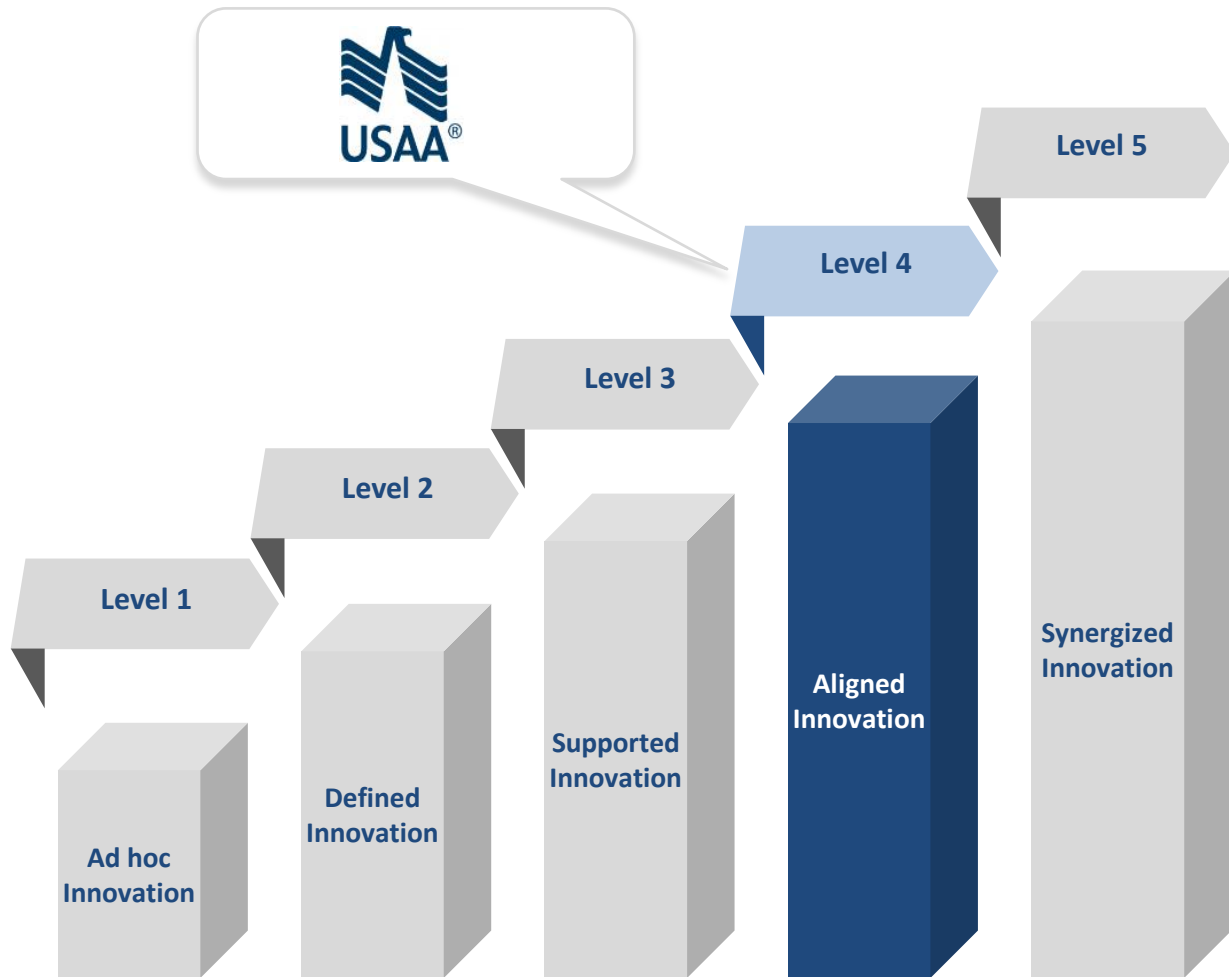
- NO idea is rejected at this stage and everything is captured
- OTHER, **independent problems or ideas** may be inputted at this stage
- TEST rapidly, even with internal teams before taking to clients
- ENSURE each solution is pressure tested

# THE TECHNOLOGY INNOVATION CONTINUUM: THERE ARE FIVE LEVELS OF MATURITY



# USAA OBTAINED A MATURITY LEVEL OF 4 ON THE INNOVATION CONTINUUM

## Innovation maturity: USAA position on the innovation continuum



### Innovation Process

- A defined innovation processes covering all key areas
- USAA have **established** a customized process based on the type of business being looked at
- USAA **encourages** and actively pursues innovation ideas from every part of the organization
- The company actively seeks **external** efforts to drive and push the knowledge level as well as ambitions

### Knowledge Management and Competency

- USAA has a centralized system that they established to allow them to house all concepts both accepted and not
- Innovation positions at USAA are highly sought after and the team now totals close to 300 employees in a dedicated work space.

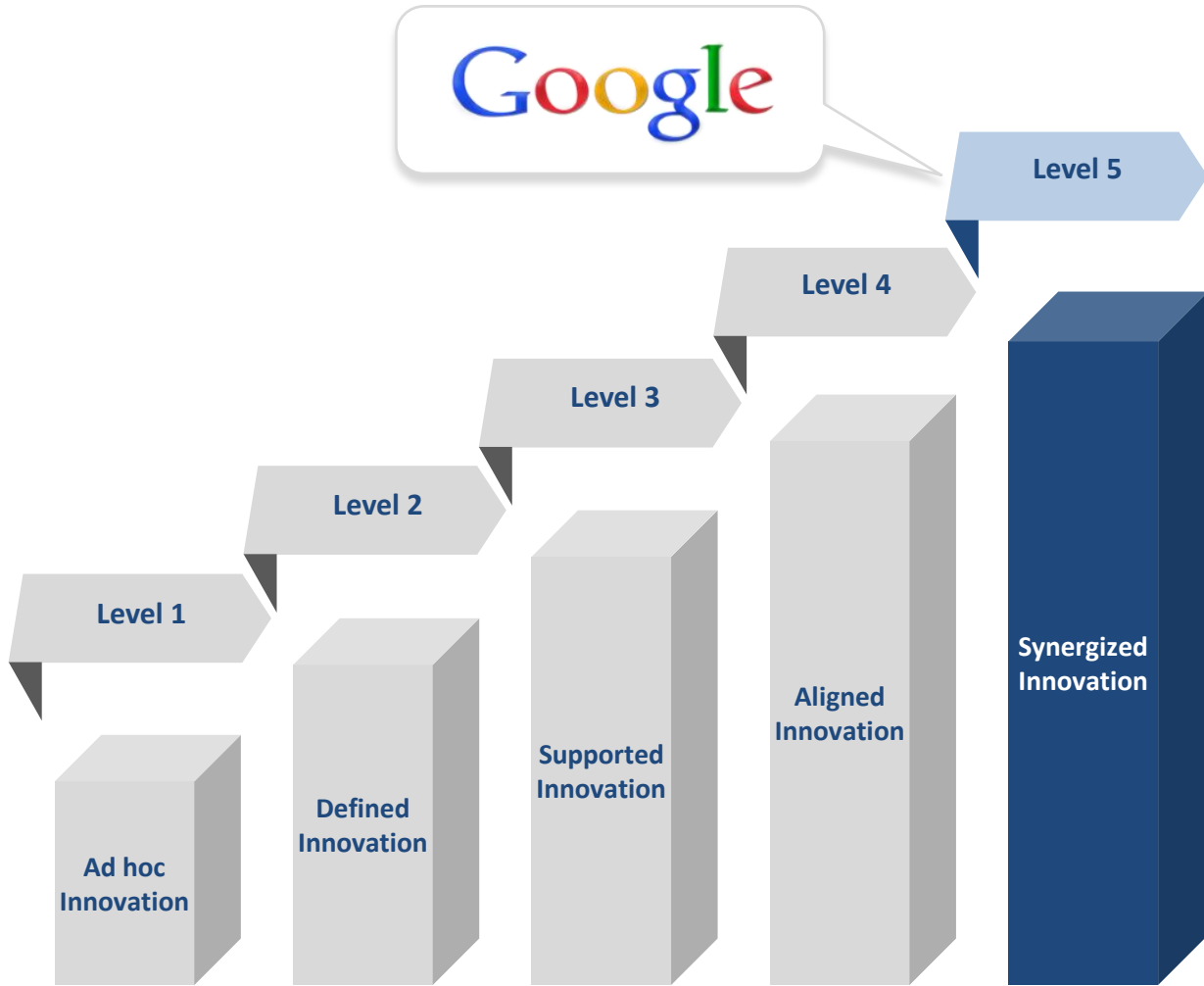
### Organizational Support

- Most senior executives are **actively involved** in the innovation efforts
- Innovation is aligned to the CEO's **mandate**
- The innovation program is centralized but still allows for individual group creativity since teams work **collaboratively**



# GOOGLE OBTAINED A MATURITY LEVEL OF 5 ON THE INNOVATION CONTINUUM

## Innovation maturity: Google's position on the innovation continuum

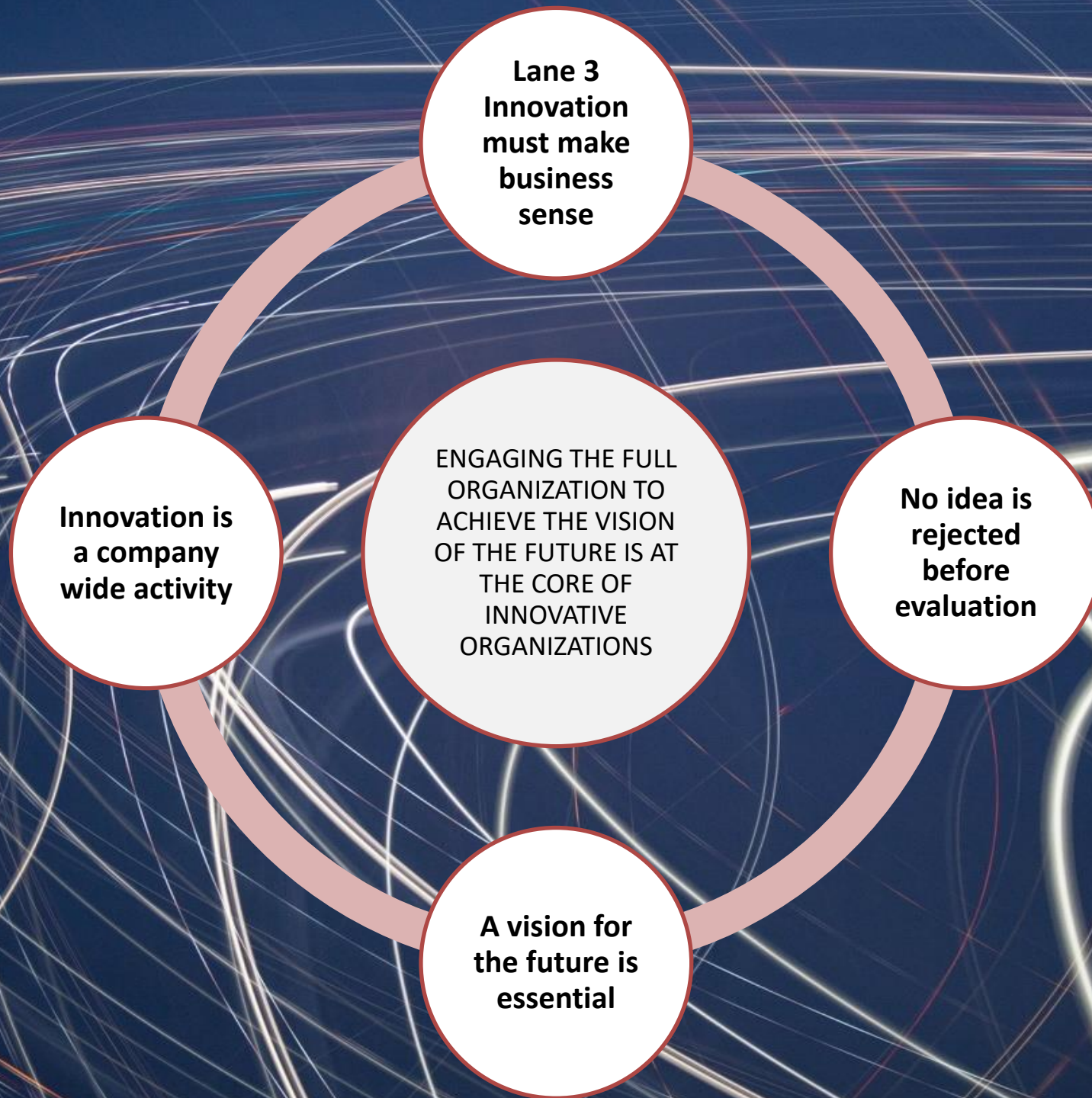


Innovation Process
<ul style="list-style-type: none"> <li>• Differentiated and dedicated innovation processes</li> <li>• Processes clear for different business <b>growth horizons</b> (mature, high growth, emerging)</li> <li>• <b>Strong in idea generation and open to Failure:</b> various programs and tools for generation of ideas, high tolerance for failure and encouragement of</li> <li>• Very high level of <b>internal and external collaboration</b></li> </ul>
Knowledge Management and Competency
<ul style="list-style-type: none"> <li>• Google has dedicated groups specialized outside of core teams on Innovation. Google Labs and Google X programs</li> <li>• <b>Google</b> actively recruits innovations experts into those groups and retains independence from key Business Units</li> </ul>
Organizational Support
<ul style="list-style-type: none"> <li>• High level of <b>CEO level involvement</b></li> <li>• Innovation is <b>strategically aligned:</b> Executives but every employee is involved and trained on innovation</li> <li>• Innovation program is <b>highly decentralized</b>, but <b>agile and adaptable to change</b></li> </ul>



# SELECT INNOVATION GROWTH OPPORTUNITIES







**Visionary leadership is essential to a culture of innovation**

VISIONARY LEADERSHIP AND ORGANIZATIONAL AGILITY ARE NECESSARY FUNDAMENTALS FOR CREATING A CULTURE OF INNOVATION

**Bureaucracy stifles innovation**



**Innovation follows a standard process**

WHILE THE PROCESS FOR INNOVATION IS STANDARDIZED, IT MUST INCLUDE COLLABORATION AND DIVERSE INPUTS TO ENCOURAGE LANE 3

**Diverse inputs increase Lane 3 outputs**

**Collaboration is key to the innovation process**

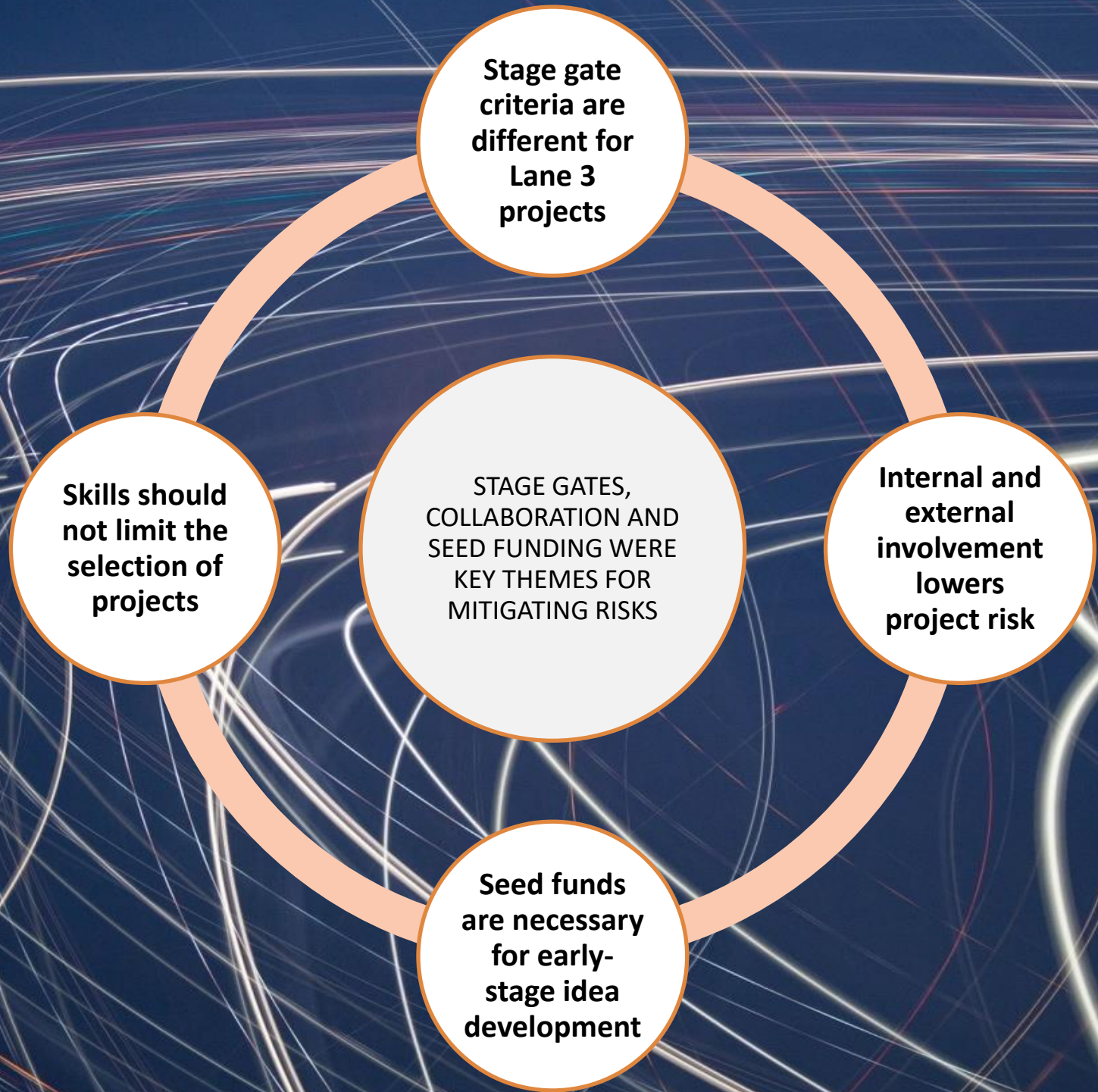


**Generating  
enough of  
the right  
ideas can  
lower risk**

**INCLUDING  
SUFFICIENT  
STRATEGICALLY,  
ROBUST IDEAS INTO A  
BALANCED PORTFOLIO  
PROVIDES THE  
LOWEST OVERALL RISK  
FOR INNOVATION**

**A balanced  
portfolio  
lowers risk**







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