Innovation Ecosystem

Kromatic

The pace of innovation is constantly accelerating.

It's threatening to disrupt every industry that doesn't disrupt itself first. Maintaining a healthy innovation ecosystem is critical for any organization that wants to stay flexible, relevant, and competitive.

Teams need to adapt and change at the same pace as the tools they use, or risk being consumed by competitors who do.

Learn more at:
kromatic.com/ecosystem

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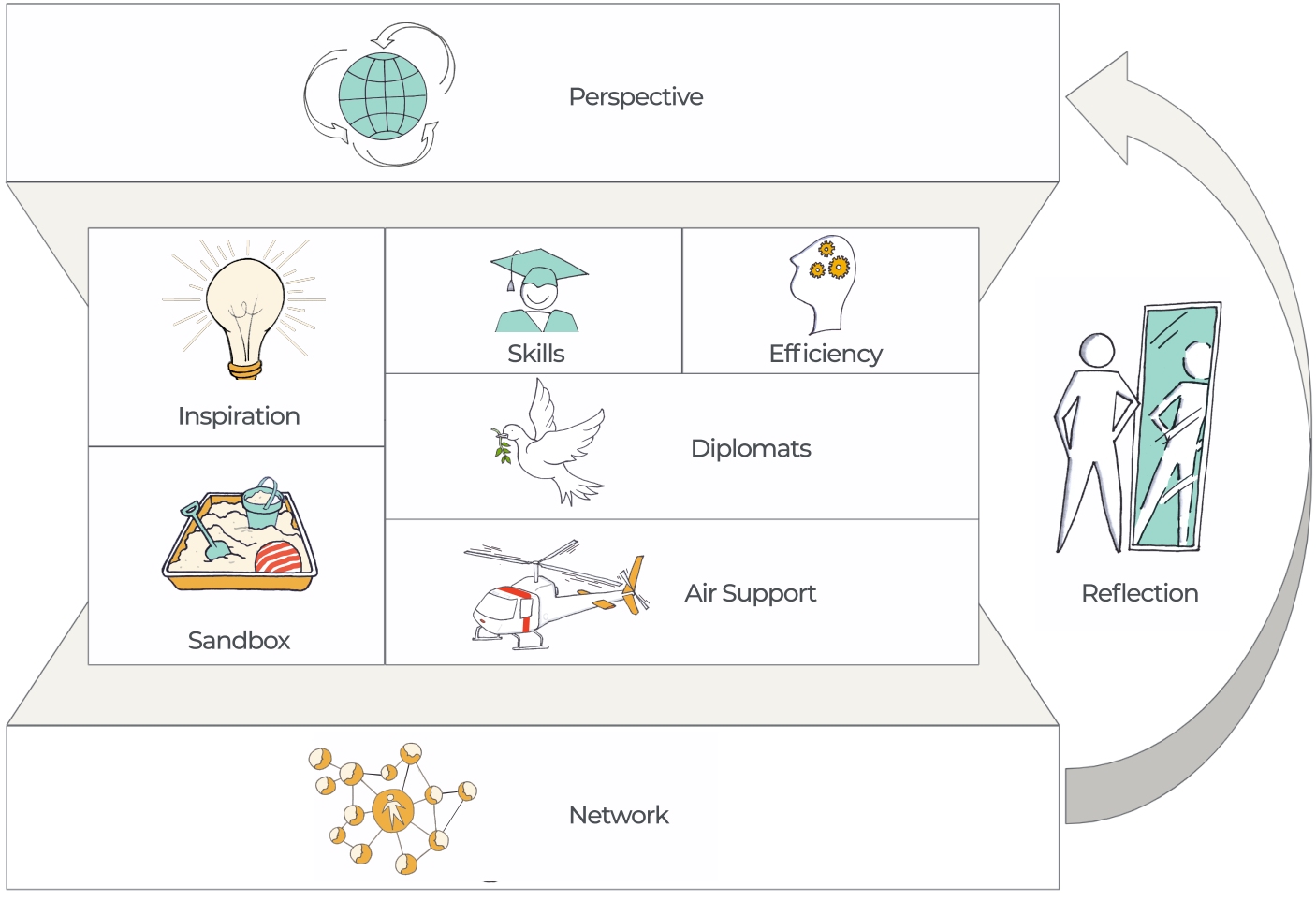
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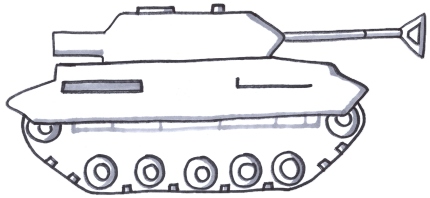


Fear

"I'VE GOT TONS OF IDEAS, BUT I'M NOT STUPID ENOUGH TO SUGGEST THEM."

New ideas can be a recipe for disaster in a culture of naysayers. Some people find joy in putting down the ideas of someone who dares think they can improve upon the status quo. Some people just don't like change.

The punishment for being a change agent can be social or financial, or even worse: if an idea is taken seriously, we might actually have to do it. That might mean extra work and career suicide if the idea doesn't deliver ROI.

Sandbox

A sandbox is a safe space where employees are encouraged to experiment on new product ideas and new business models. It can be anything from an internal acceleration program, to a weekend long hackathon on a given topic, to an executive challenging their employees to be braver.

A sandbox can also be an aura of cultural acceptance of failure as a part of learning, something Silicon Valley is famous for.

Metrics to Measure Sandbox

Direct Measures

QUALITATIVE INTERVIEWS

"Tall poppy" or Janteloven culture

PSYCHOLOGICAL SAFETY METRICS

Psychological safety metrics
360° P2P reviews

Indirect Measures

VISIBILITY OF FAILURE

% of failures made into case studies
% of loss reports completed
% of entrepreneurs

IMPACT OF FAILURE

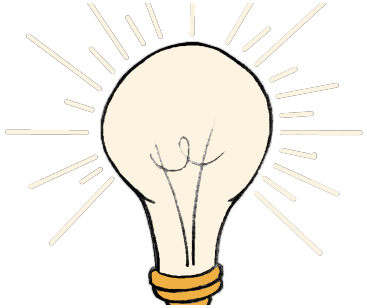
Time for failed entrepreneur to find a new position
Salary deviation after failure
Average debt / salary ratio

Apathy

"INNOVATION IS GREAT FOR THOSE WHO HAVE TIME TO DO IT. BUT I HAVE A JOB."

Sometimes innovation just isn't a priority. People are busy. We don't have time to explore different concepts with others, so we never even get the flash of a new idea. We're just heads down, talking with our teammates who look and think just like us.

When innovation is "everyone's job," but no one is actually assigned to an innovation team, then it's no one's job.



Inspiration

Inspiration can come from any direction. But people need time and input to create something new. New ideas come from old ideas unexpectedly colliding in strange ways.

Cross-pollination between different silos, domains, backgrounds, and philosophies creates opportunities for novelty. Sometimes a simple water-cooler chat can lead to the next big thing.

Role models also play a part. Seeing people in your organization or geography who are respected and rewarded for innovating can provide a nudge to each team member to think to themselves, "If they can do it, I can too."

How to measure

Metrics to Measure Inspiration

Direct Measures

QUALITATIVE INTERVIEWS

Focus on innovation vs. core

SELF-REPORTING SURVEYS

% of time free
% of overtime worked
% of spontaneous collisions
% of time spent on individual work
% of time spent with customers

Indirect Measures

KPIS

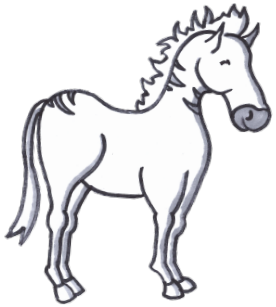
% of collaboration KPIs
% of innovation KPIs

TEAM LEVEL DIVERSITY METRICS

Representation & inclusion
Group retention %
Group engagement %

EVENTS

Average # of ideation events
Retention % at ideation events



Skill Gaps

"HOW AM I SUPPOSED TO TEST THIS IDEA WHEN I CAN'T EVEN BUILD A LANDING PAGE?"

To make progress on an innovation project, teams need a complete set of skills to get around the Build-Measure-Learn loop. They must create something, get it to the customer, and then gather their feedback.

A complete team may be an engineer, designer, and business person, or it may include a chemist for a biotech company or salesperson for a B2B database company.

Capabilities

Complete teams have both the concrete skills and the mindset to rapidly iterate, experiment, research, and validate an innovative business model. They must be able to identify a critical risk or assumption and devise a way to reduce that risk or test that assumption within days, not months.

Hard skills may include engineering or marketing, but the right mindset will generally include:

- Entrepreneurial thinking (Effectuation)
- Design thinking
- Lean & agile principles

How to measure

Metrics to Measure Capabilities

Direct Measures

QUALITATIVE INTERVIEWS
Effectual thinking and mindset

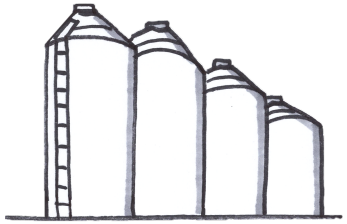
TEAM COMPOSITION
% of complete teams
% of teams with entrepreneur

SKILL ASSESSMENTS:
SELF-REPORTED, PEER 360, EVALUATED
% of team training requests
% of temp or outsource requests

Indirect Measures

TRAINING METRICS
Qualitative interviews
Post-training surveys (e.g. NPS)

TEAM METRICS
Experimental Velocity
Insight Velocity
Retrospectives



Silos

"I'D LOVE TO WORK ON YOUR PROJECT, BUT I'D NEED TO GET APPROVAL FROM MY BOSS AND SHE HATES YOUR BOSS' GUTS."

When teams lack the skills to accomplish a certain task, they can often reach out across their company and borrow skills from other departments. But silos can cut off teams from accessing those critical skills they need to navigate the Build-Measure-Learn loop. Politics, poorly thought out KPIs, and general human absurdity just won't let people collaborate effectively.

Silos effectively limit a team's capabilities and ensure that everything takes a bit longer or doesn't happen at all.

Diplomats

A good diplomat can reach across boundaries or silos, begging, borrowing, bartering, or stealing to get the team the cooperation it needs. They can cut red tape and get access to critical equipment by trading favors or simply smooth-talking their way into borrowing a few hours of someone's time.

If you want a great diplomat, you probably already have one in your team. Look for a person who is great around the water cooler, or look for people known for collaborating cross-functionally and recruit the whole team of diplomats into the innovation program. It's common to find that the roles of Diplomat and Air Support are played by the same person.

How to measure

Metrics to Measure
Diplomats

Direct Measures

QUALITATIVE INTERVIEWS
Focus on innovation vs. core

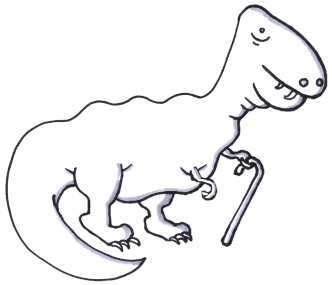
SELF-REPORTING SURVEYS

ORGANIZATIONAL ANALYSIS
Number of levels
Complexity
% of time spent outside of functional teams
% of cross functional teams

Indirect Measures

SOCIAL GRAPH DATA
% of communication between departments
Post training surveys (e.g. NPS)

INTRODUCTIONS
Average # of introductions made per request

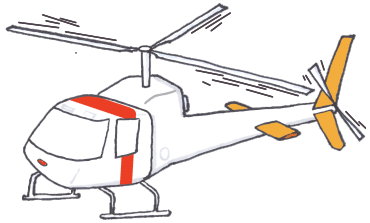


Dinosaurs

"IF YOU CAN'T PREDICT THE ROI IN 10 YEARS, I'M NOT GOING TO FUND IT."

In every ecosystem, there are still some dinosaurs making decisions based on years of experience that are no longer valid in the age of disruption. In venture capital they are called investors. In businesses they are called business sponsors. But they always ask the same question: "What's the ROI?"

Dinosaurs judge innovation with the same mindset they judge the core business, so they miss every opportunity that doesn't fit neatly on a GANTT chart with a SWOT analysis and a 60-page business plan.



Air Support

The best investors make data-driven decisions based on actionable metrics. They look past their own opinions and biases to make rational decisions based on generating possible options for the future. Not "how will this fail," but "what if it succeeds?"

Providing air support means protecting the project from opinions and making sure it has all the resources (time, money, and people) it needs to succeed. If the team needs $100k, they don't ask for a business plan, they ask how the team will use the money to validate or invalidate the project.

How to measure

Metrics to Measure
Air Support

Direct Measures

INVESTMENT DECISIONS

% of projects funded without business plans
% of complete decisions (Time, Money, People)
% of decisions aligned with investment thesis
% of projects including uncertainty (e.g. Margin of error)
Average investment per stage

Indirect Measures

QUALITATIVE INTERVIEWS

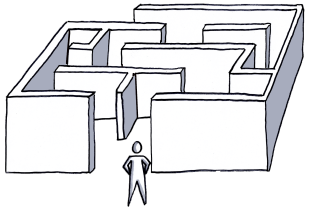
With Investor(s)
With Project Member(s)

SURVEYS

Post decision NPS

STRUCTURE

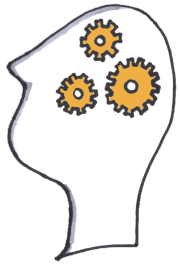
Centralized vs. decentralized
Average # of deciders needed
% of seed stage investors



Waste

"I'D INNOVATE IF I DIDN'T NEED TO FILL OUT A 20-PAGE FORM JUST TO GET PERMISSION TO TALK TO CUSTOMERS."

Time spent filling out paperwork is time not innovating. For every delay, there is a cost. Every time the team struggles with bad infrastructure, outdated tools, or a maze of red tape, there is a cost of delay that increases the cost of innovation.



Efficiency

Every team should be able to generate insights from customers every week. If they need a 3D printer to rapidly prototype a new piece of hardware for usability testing, that 3D printer represents efficiency that lowers the cost of innovation. Streamlined processes to get legal approval, access sales resources, or onboard a new vendor through procurement can all help move innovation along a little more quickly.

That doesn't mean that safeguards are thrown away. It just means that innovation projects start so small that they can't do much damage, so they should have fewer hurdles. A prototype car that can only go 2mph doesn't need to install the seatbelts quite yet.

How to measure

Metrics to Measure Efficiency

Direct Measures

COST

Cost per sprint or project
Average shared service cost
% of projects completed on time / on budget
% of unused budget

PROCESS

Usability tests on process
Average time to complete process
Time before funding is allocated after decision
Average time to onboard shared services

Indirect Measures

SELF-REPORTING SURVEYS

Awareness of available tools

APPROVALS

Average # of approvers required
% of branding, risk, or legal vetoes

Loneliness

"IT'S TOUGH BEING THE ONLY PERSON IN THE COMPANY THAT CARES ABOUT INNOVATION."

Without people talking and interacting with one another, there really is no ecosystem. Sometimes people sit one or two cubicles away without realizing there are other entrepreneurs just waiting to connect and start something disruptive. But without that connection, there is no innovation.

The worst mistake any company can make is training their employees to be entrepreneurial and then not providing a strong network to support them. If they can't innovate in their own company, they are liable to leave and become the competition.

Network

Strong communities are the foundation of innovation. A strong and diverse network creates inspiration, provides a social sandbox, helps connect capabilities, teaches investors how to provide air support, breaks down silos, and even allows entrepreneurs to teach each other efficiency hacks.

When the community has strong connections, knowledge spreads quickly and innovation becomes exponential as ideas and hacks build on top of one another to create a viable innovation ecosystem.

How to measure

Metrics to Measure Network

Direct Measures

QUALITATIVE INTERVIEWS

SELF-REPORTING SURVEYS

P2P SHARING

# of sprint demos per month
# of case studies per month

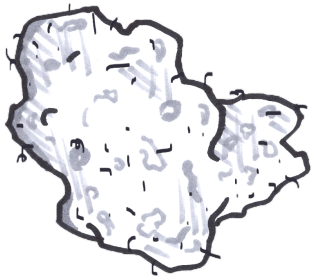
Indirect Measures

COACHING

Experiment velocity
Insight velocity
Retrospectives
% of teams or team members with a mentor

ENGAGEMENT METRICS

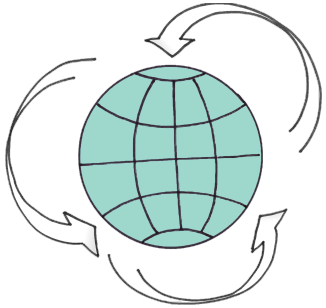
Enrollment in a mentoring program or office hours
Guild participation
Forum participation



Navel Gazing

"OUR STRATEGY IS TO BE THE BEST! AND WE ARE! THANK GOD I HAVE THE BEST IDEAS."

Navel gazing is the art of staring at one's own belly button and thinking that no other ball of lint could possibly be more important. CEOs that don't think about the outside world or anything outside their office never see disruption until it comes crashing down around them. Their strategy to "be the best" is easily accomplished (in their own mind) because they never look outside to see how the world is changing. While ecosystems can sometimes produce accidental innovation without any guidance, luck doesn't guarantee you'll survive the next wave of disruption.



Perspective

Not all ecosystems have a VP of Innovation watching the process and optimizing it. Some have natural leaders and change agents who look beyond individual elements and recognize that creating inspiration will backfire unless teams have the capabilities to execute.

Perspective allows those leaders to look at the ecosystem as a whole and start designing an environment where innovation can thrive again and again, constantly disrupting itself.

This includes making sure that innovation is directed to a purpose with a real vision, strategy, and thesis.

How to measure

Metrics to Measure Perspective

Direct Measures

QUALITATIVE INTERVIEWS
Mindset

SELF-REPORTING SURVEYS

ALIGNMENT
% of staff that can explain the company strategy
% that receive follow up funding from business units
Portfolio gap analysis

Indirect Measures

INNOVATION
Portfolio metrics
Innovation funnel metrics

P/L CONTRIBUTION
Innovation Conversion - % self-disruption
Innovation Contribution - % of revenue from products created in last 5 years

Vanity

"AFTER MORE THAN 1000 IDEAS, THIS IS OUR MOST SUCCESSFUL INNOVATION PROGRAM EVER! MAYBE ONE DAY WE'LL ACTUALLY ASSIGN A TEAM TO ONE."

Vanity metrics look good, but don't tell us if what's happening is actually helpful. They usually represent activity without progress. Ideas are submitted but no one explores them. Projects are funded with cash, but no one has time to spend the money. Patents are filed and collect dust.

There's nothing worse than a dashboard that no one looks at.

Reflection

Actionable ecosystem metrics can tell us when things are going right and when they are going wrong. More than just raw numbers, good retrospectives and dashboards can combine qualitative and quantitative data to tell us what's happening and why. They can help us evaluate our efforts as innovation ecosystem designers and give us true perspective by connecting our VP of Innovation with the network of real entrepreneurs doing the hard work.

How to measure

Metrics to Measure Reflection

Direct Measures

DASHBOARD

Completeness of the dashboard
Average time between updates
% of dashboard that is actionable

RETROSPECTIVES

% of teams running retrospectives
% of retrospectives with follow-ups
% of follow up actions taken

Indirect Measures

QUALITATIVE INTERVIEWS

PUBLIC REPORTING

% of reports that are actionable

Kromatic

We love this stuff.

If you're doing the serious work of designing an ecosystem to consistently generate innovation year after year, we'd like to talk.

Contact us at:
kromatic.com/ecosystem

Email us at:
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