

# Best Practices for Building Your Innovation Ecosystem

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## INNOVATE OR DIE?

The world's top companies poured more than \$700 billion into R&D in 2017, yet many still lag in the innovation race behind more agile startups. Many well-known market leaders have foundered, shrunk, grown obsolete, or been acquired by rivals that grew stronger.

Why do larger companies struggle to innovate? There are a variety of reasons. Organizational politics and competing internal priorities can slow down good ideas. Public companies must also meet quarterly earnings and shareholder expectations, which can shift the focus from longer-term initiatives to short-term profits and earnings. And bigger companies often lack the entrepreneurial, risk-taking mindset that is typically found within smaller startups.

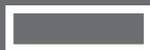
Practically speaking, while many companies recognize the value of joining forces with more agile entrepreneurs in the startup community, they lack the ability to find and manage these external partnerships.

## An Outside-In Approach to Innovation

Open innovation models are outpacing traditional R&D as companies seek to tap into a wider ecosystem for new ideas, talent, and technologies. In an open approach to innovation, the motivation is to get better products to market quickly, in a world that is moving too fast to go it alone.

Companies adopting an open innovation approach recognize that great ideas exist beyond the confines of their internal product development teams. Critically important innovations can be found among a collection of startups, universities, research consortia, and other organizations. Now the question becomes, who has the best solution for our business, and how do we collaborate intelligently with innovators both inside and outside of our organization?

When sourced and managed effectively, outside-in partnerships can be the fastest, most effective way to accelerate innovation and drive the business forward. Below are three best practices for effective collaboration across an open innovation ecosystem.



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### Best Practice 1: Innovation Aligned with Strategy

For an innovation initiative to pay off, the effort must clearly align with a company's strategy. This successful alignment between executives, R&D teams, innovation partners, and business strategy continues to elude most companies. In a recent INNOVATION LEADER survey, lack of alignment emerged as the single biggest obstacle to innovation.

What makes alignment so difficult is the fact that innovation efforts within a large company have become more decentralized. Historically, new inventions were entrusted to a dedicated R&D function, where work could proceed with utmost secrecy and control. A rapidly growing ecosystem of innovators around the world makes it easier for business units to pursue many new ideas quickly and independently. The downside is hundreds of innovation projects undertaken simultaneously, without clear oversight, transparency, or accountability.

Overcoming this challenge requires the ability to first define and prioritize business needs: which aspects of the business are most vulnerable to disruptive forces, where will future revenue growth come from, and what can reasonably be built internally. Once priorities are established, it's possible to evaluate potential partners against specific needs. The next step is to connect cross-functional teams to these best-fit solution providers through a common platform. This ensures smoother hand-offs between innovation scouts and the stakeholders responsible for delivering products to market. Faster, informed, and efficient interactions with the right ecosystem partners leads to better project outcomes, which in turn drives business value.

### Best Practice 2: Actionable Market Intelligence

In the same INNOVATION LEADER survey, the inability to act on market "signals" was ranked as another major obstacle to innovation by global executives. These signals herald a change in customer demands or the market that, if undetected or unheeded, could wreak serious damage to a company's growth prospects.

In a decentralized innovation model, everyone in the company needs to be looking for these signals of change, and be able to act upon them early.

Capturing up-to-date market intelligence from external sources is critical to identifying emerging technology trends and maintaining market leadership. In an economy where disruption is a fact of life, it's imperative to deliver the right insights to the right decision makers at the right time.

A shared market intelligence framework is the ideal way to collect and correlate data sourced during day-to-day interactions with innovation partners. This framework allows companies to capture all relevant data from external sources and internal stakeholders in a central repository structured around specific priorities. Reporting tools synthesize this data into easily digestible information for executives and key stakeholders, who can then discuss and act on notable market trends quickly.

### Best Practice 3: Transparent Access to Network Knowledge

For most companies trying to scale innovation, the biggest hurdle is managing the flow of conversations and ideas

within a large network of partners. Stakeholders need easy access to the ecosystem to ensure the best potential solutions are aligned with the right requirements. Without these capabilities, at scale, enterprises will struggle with developing a robust pipeline of opportunities in a disciplined way.

This challenge is best addressed by a new set of processes and metrics for managing relationships in the innovation ecosystem. A platform to centrally manage contacts and communications, and track the progress of solutions underway, helps avoid "data silos" that accumulate in spreadsheets and email accounts. Reporting tools turn this data into easily digestible information to help the innovation team, business heads, and executives make faster, more accurate decisions. Visual dashboards and scorecards help hold teams accountable for their initiatives, and show measurable results.

#### SPOTLIGHT

As external innovation efforts scaled for a major U.S. bank, alignment suffered. Scouts from multiple labs were tracking relationships on spreadsheets and personal contact management tools, inadvertently creating information silos and poor coordination across the bank. Using Startgrid, relevant details about partners and projects are captured in a single knowledge base. Labs can readily map the right Fintech partners to projects, track engagements holistically, and keep executive sponsors better informed.

Challenge	Best Practice
Uncoordinated innovation efforts across multiple business units can result in competing priorities and lack of focus.	<b>Align Innovation with Strategy.</b> Prioritize business requirements, identify best-fit solutions, and track progress against goals.
Undetected market "signals" cause companies to miss opportunities or react too slowly in identifying the right innovation partnerships.	<b>Actionable Market Intelligence.</b> Capture and disseminate relevant data from external partners and internal stakeholders for timelier decision making.
"Siloed" communications with external partners make it harder to effectively manage the company's innovation pipeline.	<b>Transparent Access to Network Knowledge.</b> Centrally manage contacts and communications with external innovation partners, with clear visibility into projects underway.

### Conclusion

Cultivating relationships within a global network of innovation partners has become essential to competitive advantage. An outside-in approach to innovation can be the fastest, most effective way to stay ahead of the disruptors.

When sourced and managed effectively, outside-in partnerships can deliver a pipeline of strategic innovation aligned with business priorities. The result is faster time-to-market, access to new growth opportunities, and improved responsiveness in dynamic markets.