

# Building an Innovation Supply Chain

BY STARTGRID

One of the best insights into the challenges of enterprise innovation came during a recent workshop for roughly 60 innovation professionals from a wide variety of industries at an Innovation Leader Field Study in San Francisco.

Our goal in creating this workshop was to gain a better understanding of where companies are in their innovation journey and to discover the tools, processes, and methods that are working—and which aren't—for navigating the complexities of their innovation ecosystem.

Halfway into the workshop, one team voiced a challenge we have heard many times: “We can't help our companies deliver on the promise of customer-centered innovation if our innovation teams haven't also adopted a customer-first mindset.”

A core tenet of open innovation is solving problems faster by sharing the best ideas from the broadest possible network. The problems to be solved can take different forms. Often, when people talk about innovation, they're referring to product innovation—developing a new product, such as the self-driving car; improving the performance of an existing product, such as increased fuel efficiency; or adding a new feature to an existing product, such as a next-generation navigation system.

Innovation can also include improvements to processes and business models—what new tools and technologies can we use to make cars more efficiently and profitably? How can we deliver something customers want in an entirely new way?

Regardless of the goal, all successful innovation initiatives begin and end with a customer in mind.

## A Lesson in Design Thinking

Innovation teams can take a lesson from design thinking and lean startup methods. These approaches to innovation all begin with discovery: product teams talk to customers and develop a deep understanding of their needs, goals, and values. These qualitative insights, combined with quantitative research, help teams become more informed about what customers really need so they can develop solutions quickly and iteratively. The result: a much higher likelihood of introducing new products, cost-effectively, for which

there is real market demand.

These same methods can be used by innovation teams inside the enterprise to better serve their internal stakeholders. Through discovery, team members can gain a deeper understanding of specific problems business units are trying to solve. With a customer mindset driving requirements, priorities, collaboration, and communications, the chances of introducing relevant ideas, products, or technology from outside the organization are that much better.

## Empowering End-to-End Innovation

This customer-first mindset can empower the entire innovation supply chain in the enterprise.

By aligning innovation sourcing with the needs of the business, which are in turn aligned with the needs of real customers, companies can be more efficient in bringing successful products to market.

PwC's latest report on [The Global Innovation 1000](#) finds that companies who engage customers directly in generating new ideas (“Need Seekers”) make up 34 percent of the top innovators, yet they report much higher profitability than their peers.<sup>1</sup> This higher performance is attributed to the way Need Seekers embrace alignment between business and innovation strategies. They've shifted the focus more to understanding customer needs and identifying growth opportunities, as opposed to depending upon internal expertise and ideas.

## Creating Alignment through Discovery

In our San Francisco workshop, participants identified alignment with the business as a key challenge and one they continue to work on. We often talk about the importance of ensuring innovation strategy is in sync with business strategy. But where and how do you begin?

We can take a lesson from the design thinking playbook by adopting a few principles of good customer discovery.

**1. Talk to your customers (and their customers).** For most innovation teams, the primary internal customers they serve are the executive team and product

<sup>1</sup> The Global Innovation 1000: “What the Top Innovators Get Right,” by PwC, Winter 2018

teams. The end user of your company's products or services is also your customer. Meet with people in your organization who are on the front lines engaging with customers to develop a deep understanding and empathy for the buyers of your products. At the same time, build relationships with internal stakeholders to understand their goals, challenges, and obstacles. If you spend all your time externally talking to startups and VCs, and haven't invested in building a strong internal network, you won't be effective in bringing outside ideas into the enterprise.

**2. Listen.** Building effective internal relationships is a function of being a good listener. The best thing you can do when you walk into a meeting with stakeholders is to ask a couple of carefully considered questions and get really curious—then make sure you understand the answers. In the model of good discovery, listening leads to new insights, and eliminates faulty assumptions or the impulse to force-fit your ideas into an organization that doesn't need or want them.

**3. Prototype.** A key tenet of design thinking and customer-driven innovation is rapid, efficient solution discovery. Work closely with internal stakeholders, early and often, to explore how emerging technologies from the external ecosystem can be leveraged. Keep bringing potential ideas to the table and ensure communications about the pipeline are organized, relevant, and easy to access.

**4. Validate.** According to PwC, for many companies, the majority of costs incurred in bringing new products to market are locked in the ideation and project selection stage. Develop a competency, together with your internal stakeholders, for prioritizing and selecting the right innovation projects to pursue. Understand how success is measured, and the pressures business teams may face in trading off

short-term outcomes for a potentially significant yet less certain long-term payoff.

## The Innovation Supply Chain

Much has been said about innovation as a core competency for enterprises. Without continuous process improvement and a stream of new products and services, no company will survive for long in today's global, customer-driven marketplace.

McKinsey speaks to innovation that can be procured through an external network using a systematic approach. It finds that "more than half of all innovation originates outside the organization, and externally sourced innovations are typically commercialized 40 percent faster than home-grown ideas, often because they've already been partly validated."

A customer-driven mindset enables innovation teams within the enterprise to develop a structured approach for understanding how the business is addressing customer needs, which informs how to source and commercialize ideas and new solutions outside the organization to best address those needs. But equally important is the ability to manage the innovation pipeline like a supply chain, with tools to power collaboration and communication across the entire process.

Modern supply chain management tools would never rely on spreadsheets and email for tracking the flow of goods from suppliers through to the final product. Neither should an enterprise innovation function.

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<sup>2</sup> THE GLOBAL INNOVATION 1000: What the Top Innovators Get Right by PwC, Winter 2018.

<sup>3</sup> "Procuring innovation, wherever it may be," McKinsey & Company, August 2017.