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LESSONS FOR
**ENTERPRISE
INNOVATION
CENTERS**

NTT Innovation Institute, Inc.



ABOUT NTT i³

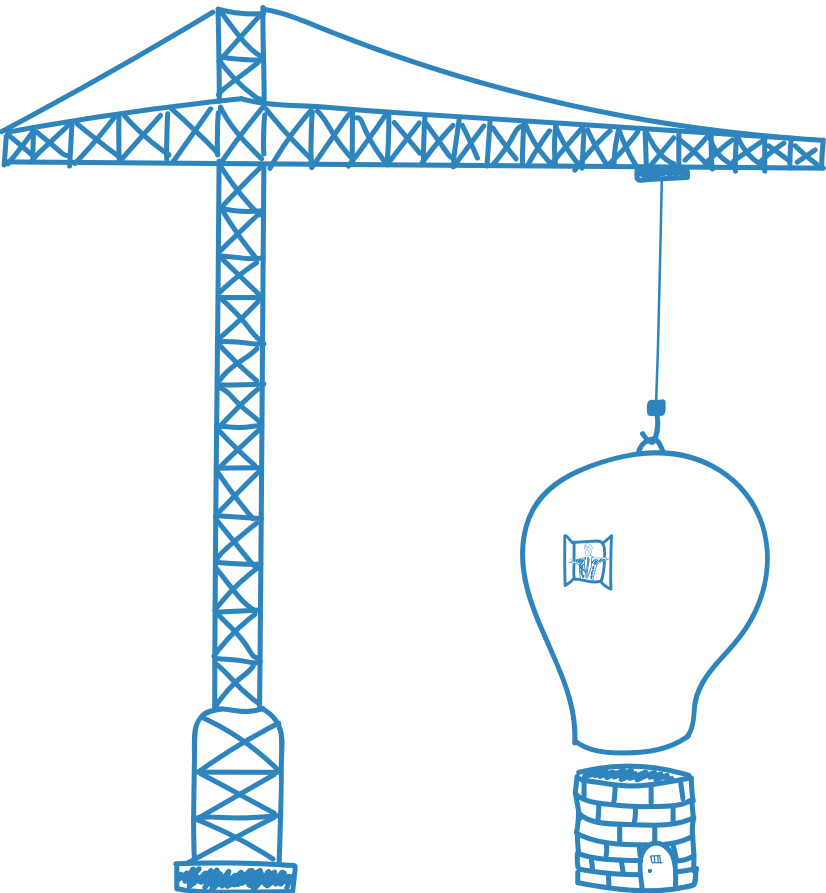
NTT Innovation Institute, Inc. (NTT i³) is the Silicon Valley-based innovation center for NTT Group, one of the world's largest ICT companies. Our full lifecycle approach to enterprise technology is driven by a commitment to discovering ambitious new ideas, developing them into robust technology platforms, and delivering them into the marketplace to be applied against significant and difficult industry, business, and human problems.

We accelerate the movement of innovation from an initial idea in the lab to impact in the marketplace through our unique access to NTT's global infrastructure and investment resources, a significant network of research labs, long and trusted relationships with customers, and an engaged global community of collaborators in both established enterprise companies and the startup community. To grow and support that global community, we provide ongoing opportunities for learning and idea exchange at our Customer Experience Center (CXC), as well as an Innovation Lab program where our researchers, engineers, and data scientists are given the time, resources, and freedom to explore and develop their own ideas.



[Watch "What is NTT i³?"](#)

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LESSON #1

SET A BUSINESS AGENDA FOR THE OFFENSE

On every corner of Silicon Valley – and increasingly in major cities around the world – corporate innovation centers are popping up as enterprise companies continue to search for ways to pick up a bit of entrepreneurial fairy dust. At best, most of them will deliver small incremental change, and not the pathway to the quantum leaps that are needed. But incremental improvement is not innovation. That's for established product management organizations. So what's the problem?

It's time to take the **business defense** off the field and stop spending time wringing our hands about “those startups” and “disruption darlings.” Enterprise leaders need to **go on the offense** and become the playmakers, the market shapers, the opportunity creators that we can be. Enterprise companies can no longer be content with initiatives that result in taking a few share points or a customer or two away from the long-established competition. The only race that is going to win for anyone – is the race to the bottom.

If you want to move from Incremental adjustments to transformational innovation – then you have to think, and do things, differently. The enterprise, and especially innovation centers, needs to:

- Believe that innovation belongs to everyone
- Rediscover their inherent business superpowers, while re-architecting outdated institutional practice around organization, talent, investment, and priority setting
- Define unique models and new pathways to success that are supported by their strengths
- Rethink how to better partner and learn with and from others

If we are going to participate in experimentation and innovation that takes ideas out of the lab and into the marketplace to create real business, social and human change – then – we need to use the lens of tomorrow to rethink and rebuild the innovation centers of today.

Innovation is not real until it moves from the lab into the marketplace and powers real business, social and human change.

CEOs need to give their companies a mandate and the power to go on the offensive when it comes to innovation. Employees then need to fearlessly take that bull by the horns.

LESSON #2

DROP YOUR BELIEF IN THE SOLE GENIUS

Who are we counting on to look through that lens of tomorrow to create the enterprise innovation centers we need today?

For most companies, innovation can no longer be the purview of a single Chief Innovation Officer or a lone and eccentric genius. The most powerful and long-lasting product, business, and culture change comes from a dedication to bottom-up and cross-organizational innovation. Actively engaging in innovation activities and explorations need to be part of everyone's job description - from scientists in research labs to account executives in business units. Business structure and executive expectations must actively support that model.

It's paramount to not just think and invent behind closed doors. There are significant competitive advantages to engaging partners and other operating companies early in the prototype and experimentation process. You can't just drop-off "the technology baby" that you have created at someone else's door and expect them to love and nurture it into the marketplace. They need to embrace it at inception.

Early cross-organizational collaboration is a practical cultural strategy for moving away from the authoritarian "staff" to more egalitarian "line" view of innovation inside the enterprise. Internal entrepreneur-in-residence (EIR) and hack weeks are great creative examples of this. There are also more institutional means to make the innovation imperative part of everyone's daily life, including changing evaluation processes and making participation in innovation investigations a part of everyone's job description.

This challenge to make innovation a horizontal versus a vertical imperative must be equally distributed between executives and staff. Executives need to be charged (and evaluated) with actively creating and supporting the risk-tolerant and risk-embracing environments required for innovation and change. Employees must learn to step out of the comfort zone of traditional roles and try something new in collaboration with others with whom they might not normally work.



Watch "What is Innovation?"

LESSON #3

BREAK DOWN LONG-STANDING ORGANIZATIONAL SILOS

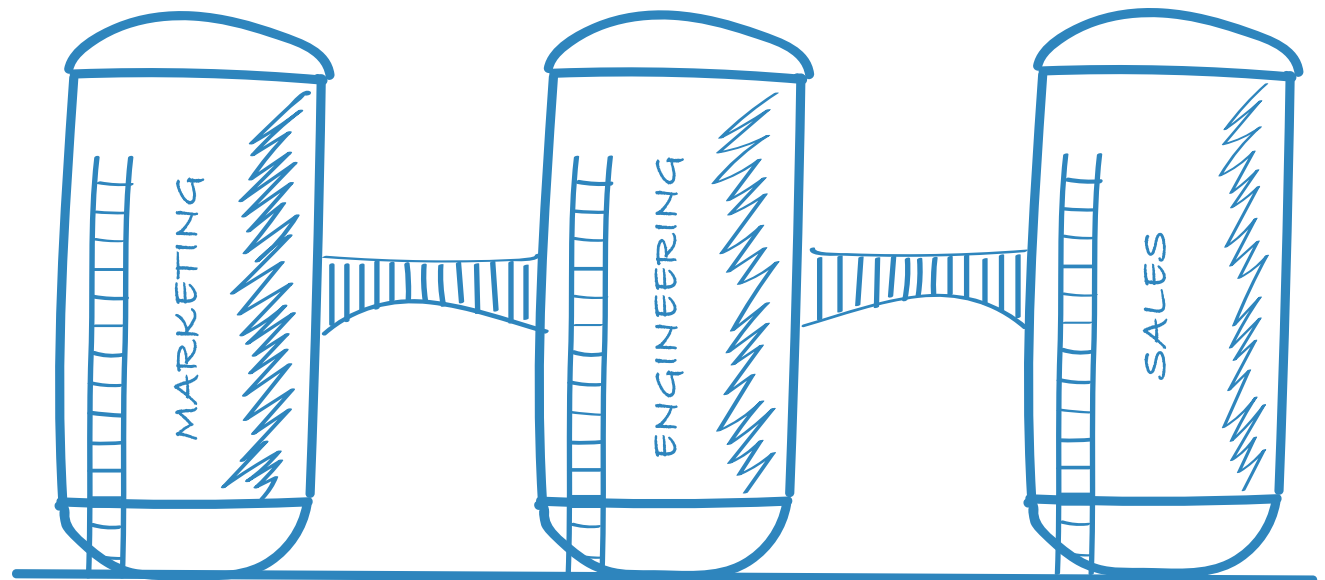
If we truly believe that everyone should own the innovation agenda inside the enterprise, then we need to work to change the organizational structure to support that.

Innovation can't exist inside isolated silos or in the narrow spaces in between. Disconnected organizational structures by their very nature wall us off from potential partners, valuable resources, and real world market insights. Instead, they often serve as the optimal breeding grounds for mistrust and misconceptions. Living and working in an ivory tower – a silo – does a disservice to any organization's innovation imperative.

Breaking down silos is especially difficult to achieve when the parameters of geography and culture come into play. If an enterprise has a central 'innovation center,' how can it make its fellow operating companies around the globe feel that it is an active and valuable extension of them; and not a nonresponsive island state?

A big part of the answer can be found in two tactics that build strong personal working relationships, and thus serve to break down existing silos and to prevent new ones from being built: collaboration and evangelism.

Collaboration is about promoting both hands-on project engagement (prototyping, piloting, hackathons), as well as opportunities simply to connect, exchange information, and learn from each other. Evangelism is about awareness of all that is being done around innovation and R&D practices across the organization and deep into all levels of employees. Both of these practices provide the opportunity to build real bottoms-up and across-organizational innovation.



LESSON #4

UNLEASH THE SUPER POWERS OF THE ENTERPRISE

Advantages of Piloting Innovation with Established Customers:

- Testing assumptions about key journeys and pain points
- Measuring performance differences under real world conditions
- Re-designing and re-deploying in real-time
- Testing business systems and sustainability
- Building proof and advocacy

When it comes to technology innovation, everyone seems to think that startups hold all the cards as nimble and unencumbered entities full of youthful energy. How many times have you seen enterprise leaders act as if they are already hobbled and sentenced to second place when it comes to the innovation race?

This does not have to be the case for the enterprise, particularly if we take the time to recognize and use the two secret super powers that we have that most startups do not – the ability to access and engage customers in the marketplace, and then quickly and strategically scale.

Being able to pilot and test new approaches and products with real customers with whom there is a long-standing trusted relationship can be a significant advantage. Assumptions, processes, technologies, new business models can be discussed and trialed. Established communications channels mean that feedback loops and iterations can be safely made to mutual benefit. Even advocacy can be garnered for launch into the market with real use cases and endorsements.

When trials are completed and it's time to launch more widely, established enterprise companies have the ability to tap into financial resources, infrastructure, and business assets that only the most well-funded startup can dream of. That's a huge advantage over startups that might be idea rich, but lack the cash and other resources to scale as quickly and targeted as needed.

LESSON #5

DEVELOP A 'FARM PROGRAM' FOR TALENT

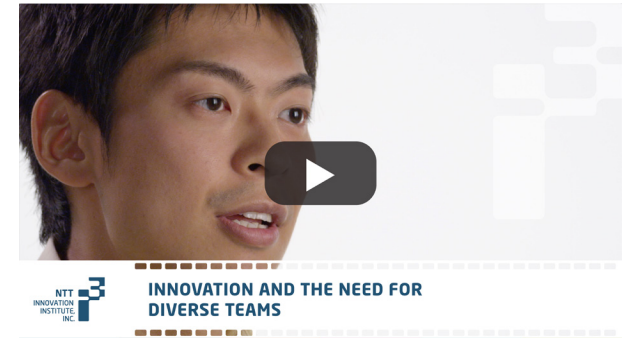
Many enterprise companies want to emulate the new innovation DNA they perceive in many startups. But they shouldn't forget that they already sit on some valuable assets inside the organization – the innovation and creativity of their own people.

People are as, if not more, important than ideas in the success of an innovation practice. So it is important to create an organizational environment in which they can work that is structured, resourced, and managed to feed innovation for tomorrow, and is not maximized for incremental improvement for old legacy ventures and business models. Otherwise old organizational and management structure may become more of a gating item to innovation than technology.

Enterprise companies often lack the talent systems to identify, develop, and motivate future leaders with experience working both in the core business and in new innovation initiatives across the organization. Instead they are optimized for the status quo: executives charged with driving a specific return or metric against today's business model.

The enterprise needs to understand that innovation intrapreneurship is both an opportunity and a risk. There is the opportunity to create something game changing for the company, while also supporting the creative passions of your most valuable resource – your people. The risk is that not everything is going to work. If you can't adjust your culture to support that, there will be big problems. The risk-takers who are not rewarded – even when an idea fails – will self-select to exit and take their innovative ideas out the door with them.

Organizational systems within enterprise companies wanting to optimize for more innovative behavior and results need to blend traditional metrics of evaluation with systems that encourage and support individuals in running with the opportunity to experiment and have the time of their lives. Regardless of the outcome, the company and individuals will learn. Taking risks will eventually pay off – sometimes in very unexpected ways. The organizational structure and culture need to make that possible.

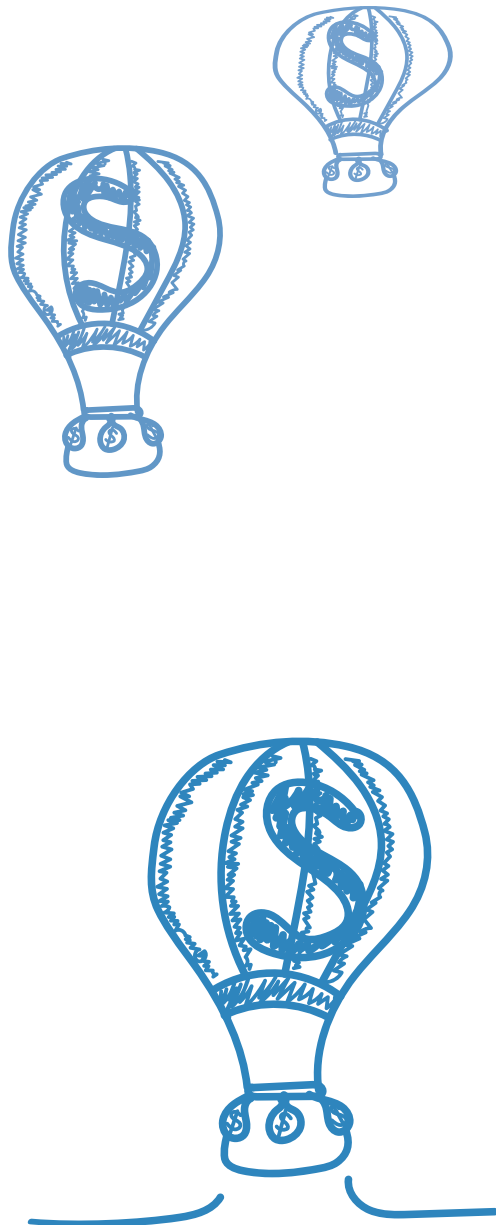


[Watch "Innovation and the need for diverse teams?"](#)



LESSON #6

INVEST DIFFERENTLY IN INNOVATION



How should the enterprise finance and budget for what are essentially bets on the future? Is it possible to create a long-term funding plan, budget, or metrics for innovation, when by its very nature the path is unknown and things change unpredictably?

Resource and priority setting for business initiatives have traditionally been about a focus on those that improve the performance of the current business model. Innovation initiatives and experiments are about creating new products, services and tech-enabled capabilities that may well upend the business. They therefore require a different approach to financing and budgeting that is optimized for experimentation and learning, and not incremental bottom-line improvement.

Innovation requires financing that is in no way tied to quarterly reviews or the need for bottom line proof of results or specific ROI. It needs to be flexibly structured to fund one step at a time, rather than an entire journey. The question needs to be about “What do we need to do to experiment, learn, and get to the next stage?” And depending on that answer, we have to be willing to constantly adjust how much is spent. We don’t abandon the project management exercise of estimating how much an entire project will cost – we just have to be flexible at each of the individual stages.



LESSON #7

VALUE SMALL EXPERIMENTS

Big companies need to learn how to start small and provide a safe space for innovation and experimentation. They need to focus on making many smart bets versus relying on a limited number of large incremental improvement projects. Making many small innovation bets optimizes experimentation and the opportunity for the “a-ha” moment. And because they are small and many, it makes it easier to kill off the ones that aren’t working and allocate resources elsewhere.

External hackathons and internal hack weeks can be very valuable in unleashing individual creativity around current technology assets at the company. Hackathons provide collaborative opportunity and exposure in the outside innovation ecosystem. An ongoing series of internal hack weeks can be a fun way for everyone in the organization to participate and explore ideas they already have.

But how does the enterprise need to think and act differently from a startup around the timing and fit expectations of these new ideas?

The most important thing in how an enterprise should evaluate an idea (versus a startup investor) is not just about looking at the idea in isolation, but in seeing the fit with its overall strategy and capabilities. A random idea may be incredibly compelling on its own, but if it doesn’t fit into the enterprise’s broader strategy and competencies – it’s not going to yield a unique competitive advantage and should not be pursued.

Today, the enterprise needs to commit to the big idea of change, while following a path of small bets to learn, see how it fits, and finally take it to market.



[Watch “Innovation, change, and risk”](#)

LESSON #8

CHOOSE TO BE THE MOTHER TO 1000 UNICORNS

Enterprise companies need to re-think the concept of a ‘unicorn.’ It’s time to get over the obsession with becoming a unicorn yourself. Why not take a slightly contrary view and focus on becoming “the mother of a thousand unicorns?”

Enterprise companies have the opportunity to form and train small nimble internal teams to actively brainstorm, analyze, and solve problems assigned to them, or ones that are proposed by employees themselves. Layering constraints onto these teams in the form of dedicated but limited budgets and aggressive timelines, spurs the thoughtful placing of technology bets and rapid prototyping and experimentation. This is usually accompanied by a lot of open debate and the organic development of a more democratic innovation culture inside the organization.

The ideas that survive and thrive within this process can be spun out through a formal or informal corporate EIR and investment program. Once outside they move beyond the corporate emphasis on patent filings and R&D and move toward building product. This approach is more aligned with the strengths of most enterprise companies. Most don’t have the mindset, organization, or culture to birth a unicorn inside. Owning 10% of many great companies and their commercialized IP is much better than just placing one large win-it-all-or-nothing bet.



LESSON #9

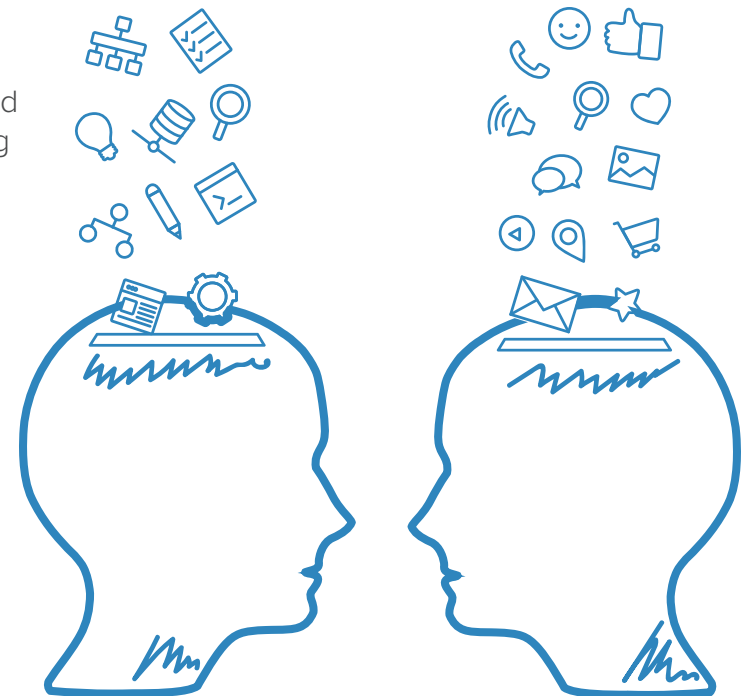
LEARN FROM STARTUPS

Enterprise companies need to take a vendor-agnostic approach to technology innovation. Innovation can't just be about hyping your own platforms. Therefore enterprise companies need to be constantly looking for new technologies outside their own walls. Horizons need to be broadened to find opportunities to combine other companies' (especially startup) technology and IP with that of the enterprise to solve the truly game changing problems.

The best startup partners for this kind of collaboration share two key traits. First, there needs to be common ground between the startup and the enterprise. It's critical to have a joint vision of the world: what's important and the kind of innovation culture that will help you get to real solutions. Second, there must also be a willingness, if not a keen interest, for the startup to work closely with an innovation center, and not for the startup to only be interested in pursuing their agenda on their own.

How do you find these startup partners for mutual collaboration and learning?

While it's great to have a deep personal rolodex, there are three additional channels that can be tapped. Many enterprise startups and VCs may well reach out to you seeking a relationship with your partner operating companies and their global enterprise customers. They know that this relationship offers unique opportunities for prototyping and pilot programs not available to most startups. Second, if your parent company has a venture group, then you have a front row seat to their ecosystem of companies. Finally, an innovation center can curate an executive advisory board of entrepreneurs, executives, and investors who can bring their portfolio companies and colleagues to the table for some interesting conversations.



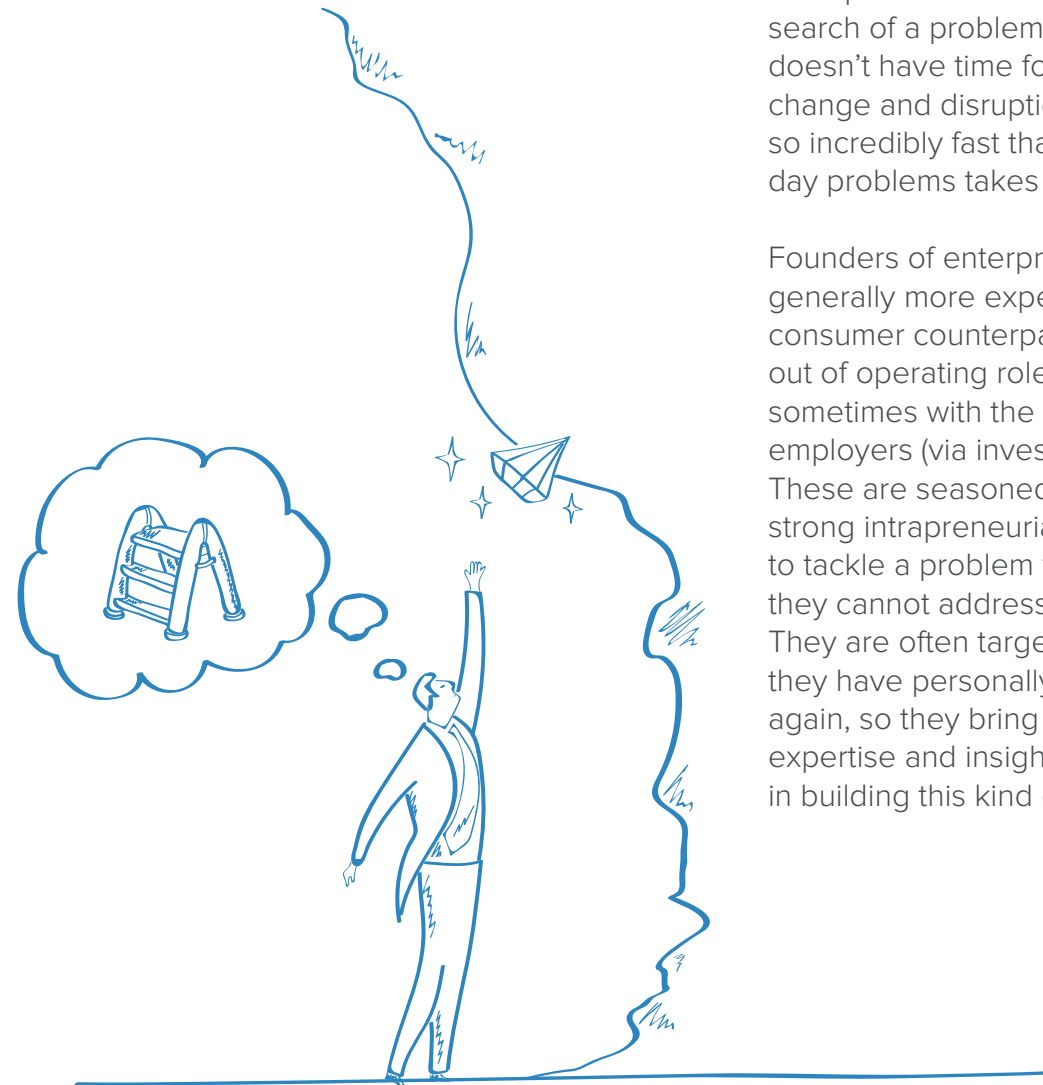
LESSON #10

FOCUS ON THE MARKET VS. SHINY OBJECTS

There's much to be learned from the focus of most enterprise startups. They are rarely in the situation that some consumer tech startups can face - having a technology in search of a problem. The enterprise market doesn't have time for that. The pace of change and disruption in business today is so incredibly fast that solving real day-to-day problems takes precedence.

Founders of enterprise startups are generally more experienced than their consumer counterparts. Many have come out of operating roles in larger companies, sometimes with the blessing of their former employers (via investment or as a spin out.) These are seasoned executives who have strong intrapreneurial tendencies and want to tackle a problem that for some reason they cannot address inside the enterprise. They are often targeting a problem that they have personally encountered time and again, so they bring considerable domain expertise and insights that are very valuable in building this kind of company.

These are the kinds of companies and leaders with which enterprise companies and their innovation centers should partner and learn from. It is important to look for innovation outside ourselves to help create a more powerful innovation culture inside.



VALUE RISK.

SUPPORT AMBITION.

REWARD LEARNING.

