Innovation Management: Perception Outpaces Reality

Underwritten in part by:

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Introduction
Innovation has often been positioned at the very core of business success. Peter Drucker asserted that it was one of only two functions required of business. While the relationship and importance of innovation to business is not new, there has been renewed interest in the topic and the criticality of it to business.

“Business has only two functions -- marketing and innovation”
- Peter Drucker

Organizations are being challenged to re-think how innovation is managed by advances in technology and collaboration. Vinton Cerf, “the father of the internet”, stated it succinctly, “By placing intelligence at the edges rather than control in the middle of the network, the Internet has created a platform for innovation.”

Most recently, the Obama administration has positioned innovation not only as a requirement for business success, but also as a critical component to economic recovery for an entire nation.

“The United States led the world’s economies in the 20th Century because we led the world in innovation. Today, the competition is keener; the challenge is tougher; and that is why innovation is more important than ever.”
- President Barack Obama

Despite the lofty esteem and attention paid to innovation, for many organizations it is unfortunately managed as nothing more than the elusive holy grail - a noble goal that is poorly understood, often not proactively managed, relegated to a few and left to serendipity and discovery.

Innovation is not managed as a process and organizations fail to purposely leverage technology in order to facilitate, promote and accelerate innovation.
In this white paper Information Architected takes a hard look at the state of the market, as measured by the experiences and opinions of 182 individuals representing organizations across industry and around the globe.

Key Findings

• In approximately 50% of the organizations polled, a major chasm exists between a belief in the criticality of innovation management and the execution of innovation management. 84% believe innovation management is critical to business success, yet only 49% have a formalized innovation management practice.

• 51% of the organizations do not have any formal leadership managing innovation.

• A key differentiator between innovation, serendipity and discovery is the need to provide business value.

• The biggest impediment to managing innovation is a lack of a systematic innovation process (cited by 49%).

• The second biggest impediment to innovation management is lack of leadership, budget and resources (cited by 47%).

• 69% agree that current economic conditions have raised the need for managing innovation; but only 24% have done anything specifically to manage innovation in the last 2 years.

• The great majority, 82% of respondents do not believe innovation has to be disruptive in order to provide significant value.

• 56% of respondents indicated that the deliberate leveraging of technology in the workplace maximizes the ability of the organization to manage innovation.

Source: Information Architected, Inc. (www.InformationArchitected.com)
Section 1: Defining and Framing Innovation and Its Management

Like many other business practices that are broad in scope and impact, innovation and innovation management can be defined many different ways. That is why it is prudent that any discussion, including this whitepaper, begin with a clear definition of what is being covered.

“Innovation is the implementation of a new ideas for the purpose of creating value.”

Information Architected

Survey respondents were asked to identify the definition of innovation that most coincided with their own. The majority, 63%, identified with the Information Architecture definition, “Implementation of a new ideas for the purpose of creating value.” It was encouraging that the majority exhibits this level of appreciation. It is our belief that this is the “right” definition. This definition focuses innovation on business impact (i.e., creating value). It does not mandate revolutionary thinking (i.e., “out of the box or revolutionary ideas”), nor position innovation as the primary responsibility of a few (i.e., R&D).

Figure 1: Which Definition of Innovation is Most Like Your Own?
This finding is consistent with the way respondent’s further characterized innovation.

When asked to rank the importance of five separate components of innovation - methodologies, processes, culture, creativity and execution - to innovation, respondents placed the greatest importance on culture first and execution second.

It is important to note that overall, all five components were ranked as necessary. None were viewed as “not critical” or “marginally critical.” Respondents are unanimous in the belief that all of these components are necessary to successful innovation, but that clearly among these, culture and execution are paramount.

Indeed, one of the strongest findings in the study was that the great majority, 92% of respondents, indicated that culture was critical to innovation, with 71% indicating culture was absolutely critical. In this regard, innovation management is similar to sister disciplines such as Knowledge Management and collaboration. It is clearly understood that a business culture that is open and shows willingness towards “being innovative” is mandatory to the successful management of innovation.

Similarly, “execution,” which could be argued is a component or tangent to culture (a culture prone to innovation would likely act, or execute on new ideas), was ranked by 89% as critical, with 57% indicating absolutely critical.

This opinion likely stems from the “creating value” component of the definition of innovation discussed earlier. Organizations that do not act on new ideas and opportunities will not add value to the organization, despite the production of innovative ideas. Even “great” ideas are nothing without execution.

Although perhaps the raw material or fuel to innovation, creativity is viewed as second to culture and execution in successfully managing innovation.

The majority of respondents recognized the importance of creativity (80% ranked creativity as critical; with 44% as absolutely critical) however, while creativity may be fundamental to the generation of new ideas, respondents expressed an appreciation for the fact that without a culture to nurture and act on creative ideas, these ideas are born in vain. Creative minds will whither, be distracted or go elsewhere if they are not in a healthy culture, a culture that to act on creative ideas.

Methodologies and processes were clearly ranked the least important components to innovation. Again, overall even these components were ranked as “not critical,” but their importance is the successful management of innovation pales in comparison to culture, execution and creativity.
The majority of respondents positioned methodologies and processes as moderately important. Clearly no one would argue that methodologies and processes can be effective in assisting in the execution of innovation, but failure to act (execute), poor culture (one that does not support or inspire innovation) and the generation of new ideas (i.e., creativity) are clearly more important.

All the methodologies and processes in the world will be useless if culture, execution and creativity are not present and actively focused at bringing innovations out of minds and into reality.
Figure 2: Rank the Following Components in Terms of Their Importance to Innovation

- **Methodologies**
  - Not Critical: 6%
  - Moderately Critical: 10%
  - Absolutely Critical: 26%

- **Processes**
  - Not Critical: 3%
  - Moderately Critical: 4%
  - Absolutely Critical: 20%

- **Culture**
  - Not Critical: 1%
  - Moderately Critical: 2%
  - Absolutely Critical: 71%

- **Creativity**
  - Not Critical: 2%
  - Moderately Critical: 3%
  - Absolutely Critical: 36%

- **Execution**
  - Not Critical: 2%
  - Moderately Critical: 3%
  - Absolutely Critical: 57%
The attitudes expressed concerning the criticality of culture, execution, creativity, methodologies and process as components to innovation itself, were mirrored by respondents’ rankings of the importance of other key issues in the management of innovation.

When asked to rank the importance of creativity, creative problem solving, serendipity, business intelligence (BI), knowledge management (KM) and collaboration/social software, on a scale of 1-6 (1 being most important and 6 being least important), to the management of innovation, respondents clearly indicated that creativity and creative problem solving were most important.

Knowledge Management, foundational to the practice of capturing and sharing of know-how and ideas fared a somewhat distant third.

Business Intelligence, a source of input into innovation scenarios followed, but with only 20% feeling it was more than moderately important.

Collaboration and social software also received 20% ranking above moderate. As evidenced further later in this paper, while respondents recognize the role collaborative and social technology can play in facilitating the management of innovation, they are not panaceas, and cannot make-up for a lack of creativity and creative approaches to solving problems.

It is most interesting to note however, that despite the many stories (e.g., the creation of Post-It Notes®, chocolate chip cookies, the microwave oven), innovation through serendipity or a fortunate turn of events was not seen as important.

Organizations may profit from serendipitous discovery, but, as respondents indicate, this is not a valid approach to managing innovation. You cannot wait for innovation to happen to you. It is a process you have to nurture and manage as a major asset and capability.
Figure 3: Rank the Following, In the Order of Importance in Managing Innovation

Rounding out the framing of innovation management, we asked respondents to consider the degree of impact innovation must have in order to be valuable.

Despite the pontification and assertions of some industry pundits that innovation must be “disruptive,” the majority of respondents, 82% echoed the sentiment expressed in the definition responses (See Figure 1), that innovation does not have to be disruptive in order to have significant impact on the organization and it’s activities.

There is tremendous value in small or incremental innovations. Yet, some, in this case 18%, believe innovation has to be disruptive to have value.

It should be appreciated that there is a discipline and a process behind innovation, and that it can be taught and instilled within virtually any organization. It does not have to be left to chance, to a select few, and/or focus strictly on major “game changing” discoveries and invention.
Figure 4: Does Innovation Have to Be Disruptive (e.g., Brand New or Game-Changing) in Order to Have Significant Impact?
Section 2: Assessing Market Need

With the definition and scope of innovation and innovation management made, the study turns to the value placed on innovation management.

Among survey respondents, 84% felt that innovation was more than just “somewhat important” to success, with 54% stating it was critical.

Figure 5: How Important is Innovation to the Success of Your Organization?

In and of itself this is not surprising. Given the timeframe in which this study was executed, a time marked by a highly publicized and visible global recession, respondents were asked the degree to which their attitude regarding the importance of innovation to business success is influenced by current market conditions.

Do tough times cause organizations to place a higher degree of focus on innovation?

As introduced in the first section of this white paper, government officials, from the Whitehouse on down, have targeted innovation as a “must have” component to economic recovery.

This message was not lost on survey respondents, among whom 69% agreed that the economy raised the level of need for innovation in their organization (with 23% strongly agreeing).
Figure 6: The Current Economic Crisis Has Caused an Increase in the Importance of Innovation in My Organization

Again this finding was not surprising.

When it was cross-correlated to other findings, however, there were some surprises. Despite an increased importance placed on innovation due to the current economic conditions, few organizations have changed their approach to innovation management.

As discussed further in Section 3 of this whitepaper, only 49% of the responding organizations have a department or team specifically in place to manage innovation, despite an increased need for such (See Figure 9).

But even more alarming was the fact that among those organizations that did have a team or department in place to manage innovation, 64% had a formal approach to innovation management that pre-dates the current economic recession.

In other words, only 24% of the 182 organizations polled have taken any new measures to increase innovation, despite the fact that 69% agree that economic conditions have raised the need for innovation (See Figure 10).

In fact, the market reality concerning managing innovations was found to be lagging overall, behind the market perception of the importance of innovation (See Section 3 of this whitepaper for more details).

Lastly, market need for innovation was assessed from a technology perspective. As introduced earlier in this whitepaper, technology (i.e., collaboration and social software) was ranked the least important component to managing innovation (See Figure 3).
That said, 56% of respondents indicated that the deliberate leveraging of technology in the workplace maximizes the ability of the organization to manage innovation.

Figure 7: It is Imperative That An Organization Deliberately Leverage Technology in Order to Maximize the Capability and Value of Innovation Management

In fact, it is important to note that a lack of effective collaboration and communication, both of which can be directly enhanced through appropriate technology, ranked as the fourth most prevalent obstacle to increased and productive innovation management (See Figure 13.)
Section 3: Market Reality

Sections 1 and 2 of this whitepaper established that overall there is a clear appreciation for the nature of innovation (i.e. to produce business value), that there is an appreciation for its criticality and value to the organization, and that the current state of the global economy has placed a higher emphasis on innovation.

In this section of the whitepaper, we look at the reality or how these opinions and attitudes manifest in practices within organizations.

Many anomalies were discovered. Execution of technology, methodology and process lag seriously behind the mindset or belief that innovation management is critical.

This discussion starts on a positive note, however. The majority of respondents, 68%, work in organizations that believe innovation can be managed and that such management is a process and an asset.

Figure 8: My Organization Believes that Innovation Should be Managed as a Corporate Asset and Process

But further survey results indicate that believing and doing are two very different realities. Despite a clear recognition of the importance of innovation and its proactive management especially in the current economic conditions, far too few organizations are taking deliberate steps (i.e. establishing teams and leaders and applying technology, methodology and technology) to managing innovation.
Responding organizations were nearly evenly split between those that have a team or department in place to specifically manage and promote innovation, and those that do not, this in spite of the fact that 68% agree that innovation can be managed and that such management is a process and an asset to the organization.

**Figure 9: My Organization Has a Team or Department Specifically Managing and/or Promoting Innovation**

Among those organizations that have a team or department focused on innovation management (49%, or 393 organizations), no trend regarding tenure of the team was apparent.

Despite the increase of importance placed on innovation in the current economy (see Figure 6), organizations that had innovation teams prior to the economic crisis (i.e., 3 years or older) represented 51% of the community.

Despite the perceived increased criticality of innovation, only 32% of organizations that were not proactively managing innovation prior to the economic down turn have taken any significant actions to heighten their management of innovation.
In a similar finding, 51% of the polled organizations have no form of innovation leadership. This 51% is near perfectly aligned with the finding that 49% have no innovation team in place.

Further reflective of a market that perceives great value in innovation management, but in which nearly half fail to take strategic action on it is the fact that 46% of respondents work in organizations that do not specifically reward innovation. This is perhaps the most fundamental of the findings concerning the lack of action taken.

It comes down to organizational members asking an organization to “put its money where its mouth is”, and in this case the “money” need not be cash, but simply some
form of encouragement and formalized recognition that provides not only heightened awareness of the value and role of innovation in the organization, but the degree to which it is recognized.

Similar to situations we have witnessed in knowledge management applications, it is not enough to state the importance, community members look for proof of that importance.

**Figure 12: Does Your Organization Specifically Reward Innovation?**

![Figure 12: Does Your Organization Specifically Reward Innovation?](image)

Why aren’t more organizations being proactive about managing innovation?

We asked our respondents to identify the biggest obstacles to managing innovation. Respondents could select as many obstacles as they felt were relevant to them.

The obstacles identified can be grouped into two basic camps – cultural (including vision and leadership) and process (including application of technology and methodologies).

Interestingly enough, the top two obstacles, viewed together represent both camps.

The most popularly identified obstacle was lack of a systematic process for managing innovation. Although this issue is perhaps related to a poor culture (i.e., symptomatic of a culture unwilling to back or inclined to develop a process to support innovation), ultimately the obstacle is more technical in nature. The lack of a formalized process (typically one augmented and fortified through methodology and technology) is debilitating.
The second most popularly identified obstacle is clearly a matter of culture, lack of leadership, budget and resources to support innovation management. Lack of leadership implies a lack of vision and commitment. This in turn undoubtedly is behind the related lack of funds and resources (including the lack of process, methodology and technology that were the focus of the first most popularly identified obstacle).

It is ironic that despite virtual universal agreement that innovation is critical to business success, the second biggest obstacle to managing it is a lack of leadership and funding.

Businesses do not put their money where their mouth is, reflective of the earlier discussed findings that showed despite agreement within the organization that innovation is critical, nearly half do not have a team, department, or leader focused on innovation.

It took the worst economic catastrophe in decades to instigate some 23% into doing anything at all about innovation (see the discussion on Figures 9 and 10), further reflected by the fact that “we only innovate in a crisis” was cited by 19% as a obstacle to innovation management.

Ranked as the third largest obstacle, is another reflection on culture and lack of leadership; an organizational inclination to focus on short-term strategy rather than a long-term approach that includes development and management of an “idea pipeline.” Short-term strategies are typically tangential to the crisis-mode mentality discussed above.

There is a three-way tie for the fourth ranked obstacle. All three are clearly cultural in nature. As is the case with knowledge management and Enterprise 2.0, poor culture can stand in the way of perhaps even the most well-intentioned and well-orchestrated innovation practice.

Indeed one of the fourth ranked obstacles is lack of communication and collaboration – an issue that is more easily handled through the application of innovation management technology and collaboration-based technologies, but again only if there is an underlying culture that encourages their deployment and use. Failure to deploy such technologies is likely more a case of a culture (i.e., unwillingness to invest than an ignorance to their availability). In fact, another of the fourth ranked obstacles is the issue of ROI.

Without a clear vision and leadership behind innovation management, the need for a traditional ROI can be an obstacle. The remaining fourth ranked obstacle is pure culture – a resistance to change.
Figure 13: Which of the Following are the Biggest Obstacles to Increased and Productive Innovation Management in Your Organization?

- Lack of systemic innovation process: 49%
- Lack of resources, leadership and inadequate funding: 47%
- Focus on short-term execution, not future pipeline: 41%
- Lack of effective communication and collaboration: 36%
- Don’t know how to measure the return on innovation: 36%
- Resistance to change what has worked in the past: 36%
- Lack of end-to-end processes to bring ideas to market: 35%
- Focus on immediate and high financial return projects: 34%
- Too much specialization of skills, and no collaboration across specialties: 34%
- Organizational focus and value is on risk avoidance: 31%
- No incentives to innovate: 29%
- Lack of focus, vision and direction from management/leadership: 27%
- No common definition of innovation: 25%
- Top-down management discourages ideas from workers: 23%
- No investments are made to teach employees new skills: 23%
- No idea how to identify problems/opportunities to innovate on: 19%
- We only innovate in a crisis - no pipeline or experiments: 19%
- Organization does not support/promote innovation: 18%
- Lack of support for innovation by senior management: 17%
- Customer opinions are given too much weight: 7%
- Other: 7%
- None of the above: 7%
Section 4: Methodology and Survey Demographics

The findings presented in this white paper are based on a survey developed and administered by Information Architected.

The survey was conducted in summer 2009, using a Web-based tool. Invitations to take the survey were sent via e-mail, Twitter and blog solicitations. A total of 182 individuals responded to the survey.

Survey respondents represented organizations from across vertical industries.

The largest single industry (19%) of the survey population was comprised of professional services companies. Another 11% came from Manufacturing, and 8% from healthcare. Other vertical industries, listed in Figure 14, comprised another 5%, each. Remaining vertical industries that individually did not comprise at least 5% of the total population have been merged into the “other” category.

Figure 14: What Vertical Industry Do You Work In?
The survey population also provides a fairly equal distribution across small, medium and large organizations.

Figure 15: How Many Employees Are In Your Organization?

Slightly more than half (59%) of the survey responses came from individuals within the United States. Asia Pacific and Europe-based individuals comprised another 15% each. The remaining 11% came from Canada, Central/South America, Middle East and Africa.

Figure 16: What Geographic Region Do You Work In?
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To find out more: www.InformationArchitected.com/e20innovate

To discuss your team and its needs: 617-933-2584
About Information Architected
Information Architected is a consultancy focused on the intelligent use of content, knowledge and processes to drive innovation and help you thrive in a digital world.

We offer three distinct lines of service:

- **Analysis** (case studies, market reports, whitepapers and podcasts)
- **Consulting** (strategy development, needs assessment, ROI calculations and solution architecture development)
- **Education** (from 1/2 day overviews to multi-day in-depth business and technology education)

Specific to Innovation Management, we provide ½ day, 1 day and multi-day education and integrated education/consulting programs on Innovation Management.

**Innovation Principals at Information Architected**

**Carl Frappaolo**

has over 25 years experience working with a broad array of business solutions including innovation management, knowledge and content management, information architecture, portals, Enterprise 2.0, collaboration, and business process management (BPM). He has provided innovation and knowledge-based consulted for hundreds of organizations in the public and private sectors and has published 4 books and over 400 whitepapers and articles.

He was a founding member of the Innovation Lab of Perot Systems, and twice a judge of “The Innovation Challenge”, the world's largest MBA-based open innovation project, run by Idea Crossing. His professional blog can be found at TakingAIIM and you can join his networks at LinkedIn and Facebook, or follow him on Twitter @carlfrappaolo.

**Dan Keldsen**

began his career in information, innovation and knowledge management as the Chief Technology Officer for Delphi Group, over 15 years ago. Mr. Keldsen's experience is based broadly and deeply around innovation management and Enterprise 2.0/Web 2.0 topics – built on the unstructured and semi-structured content-based enterprise concepts such as Information Architecture, Search, Semantics, Enterprise Content Management, Web Content Management, and Portals. He holds a SANS GSEC certification and was on the advisory Board for the SANS GSEC program for two years. He is also a Member of the Usability Professionals’ Association (UPA) and The Information Architecture Institute.

He was a founding member of the Innovation Lab of Perot Systems, and twice a judge of “The Innovation Challenge“, the world's largest MBA-based open innovation project, run by Idea Crossing. His professional blog, and podcast archive is BizTechTalk, and you can join his networks at LinkedIn and Facebook to continue the discussion, or follow him on Twitter @dankeldsen.

**Information Architected is open to Discuss, Debate, Consult and Educate.**

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