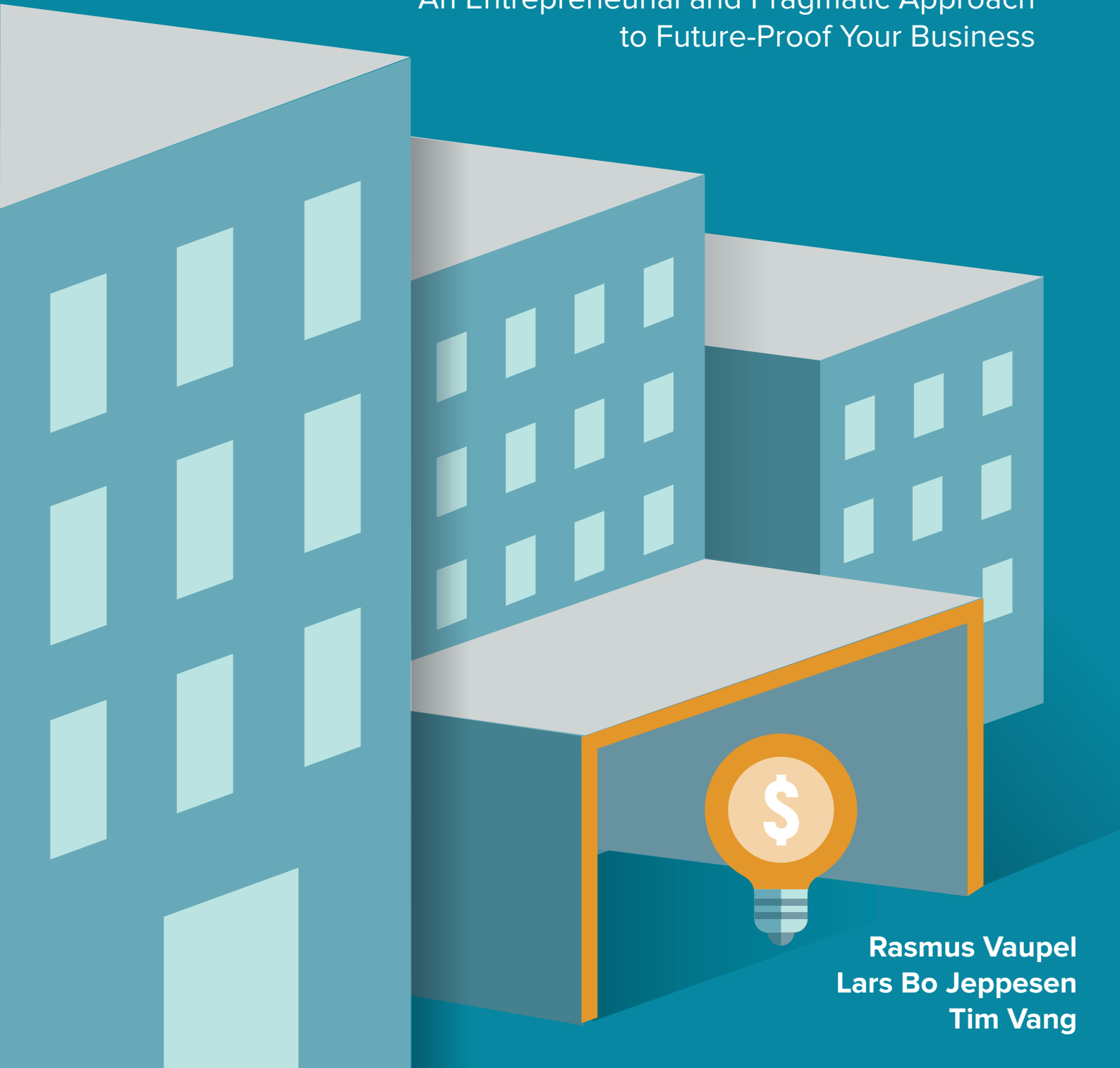


Accelerate Growth with a Corporate Garage

An Entrepreneurial and Pragmatic Approach
to Future-Proof Your Business



Rasmus Vaupel
Lars Bo Jeppesen
Tim Vang

It is Time for Corporates to Learn from Venture Capitalists and Entrepreneurs

Venture capitalists are realising massive value creation from successful startup investments. Meanwhile, established corporations are missing out on this historic opportunity; indeed, many of the world's most reputable and venerable corporations are no longer included in the S&P 500 Index. Only recently, after 120 years as an innovation icon, General Electric was removed from the Dow Jones Industrial Average. Following its successful direct-to-customer business model, Dell Computers dropped off the S&P 500 after a 17-year run. Other major exits from the S&P 500 include Eastman Kodak, Sears, and The New York Times. Younger, data-driven companies such as Google, Facebook, PayPal, and Under Armour are moving quickly to steal market share and generate demand through insight analysis, lean business models, and digital channels. The imminent Initial Public Offering potential of companies such as Uber, Airbnb, and Dropbox will further displace established corporations, which, though successful in the past, do not have the mind-set, methods, structures, and incentives in place to accelerate growth and benefit from radical opportunities in the current turbulent business environment. For several years, we have investigated why and how daring and creative corporate entrepreneurs are working to leverage resources, competencies, and scale to capture valuable opportunities.

This book is about our learnings and about what we believe are overlooked strategic tools and methods to accelerate growth, unleashing entrepreneurship in corporate environments.



Preface

The purpose of the Danish Industry Foundation is to strengthen the competitiveness of Danish industry.

Amongst the greatest challenges facing companies today is combining day-to-day operations with truly innovative practice. Innovation is no longer only about developing new features for existing products and services; it is also about disrupting your own core business before somebody else does.

Leaders must combine the task of leadership with new organisational structures and a growth strategy to accelerate the speed and boost the success rate of innovation. The task is as urgent for small and medium-sized companies as it is for large companies. However, financial budgets allocated to innovation and sourcing new knowledge vary.

Therefore, the Danish Industry Foundation has worked with Core & Company, pree.to, and Copenhagen Business School to develop practical tools and guidelines regarding how to organise and lead innovation in small and medium-sized companies. The recommendations and tools in this book have been tested in real market conditions and thus will have a proven impact on your organisation.

It is our hope that this book and its tools will provide the leaders of tomorrow with inspiration on how to create an innovative and growth-oriented environment in established companies while strengthening the competitiveness of Danish enterprises.

CEO Mads Lebech

The Danish Industry Foundation



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REALISE

Companies must **realise** that the fundamental shifts taking place in the world today are already influencing the way industries evolve, businesses compete and consumers behave. We must understand **why** these changes call for a new growth paradigm. In Part I, we propose methods for overcoming the struggle of conceiving disruptive forces as opportunities rather than threats and explain how to embrace new ways of working in a frequently changing environment.

Chapter 1 outlines the Corporate Garage Approach and its benefits. It introduces the 10x Imperative and our three Garage Principles of leveraging entrepreneurial agility, corporate power, and the creativity of the crowd.

Chapter 2 discusses three megatrends and the resulting hyper-connected world that we believe drives the majority of disruptive opportunities and threats in today's business environment.

The purpose of Part I is to answer the following questions: **What is happening around us? Why should we change?** It identifies areas of threat and opportunity and describes how they align with a commitment for change.

Key Concepts: Corporate Garage Approach, 10x Imperative, Garage Principles, Globalisation, Acceleration of Technology, Customer Expectations, Hyper-Connected World, Servitisation, Ecosystems

PART I - REALISE

Chapter 1: The Corporate Garage Approach

Chapter 2: Seizing Disruptive Opportunities

1

CHAPTER ONE

The Corporate Garage Approach

Business Leaders are Facing New **External Turbulence** and **Internal Rigidity**

Whenever we talk to CEOs we like to ask them this question: “What challenges can you and your peers agree on?” This question is interesting as it allows CEOs to share their biggest concerns, but also pushes them to reflect on where the overall business climate is headed. Through our combined 20+ years of Management Consulting, Academic Research and Entrepreneurial experience we have heard a multitude of answers. However, the multidisciplinary impact of global, technological and social change in recent years has created unprecedented pressure and **uncertainty** on CEOs to tackle internal and external challenges simultaneously. This is reflected in the answers we receive today:

“We struggle with inventing and introducing new business models, and deciding how much to invest, when?”

“We are losing market share to born digital competition.”

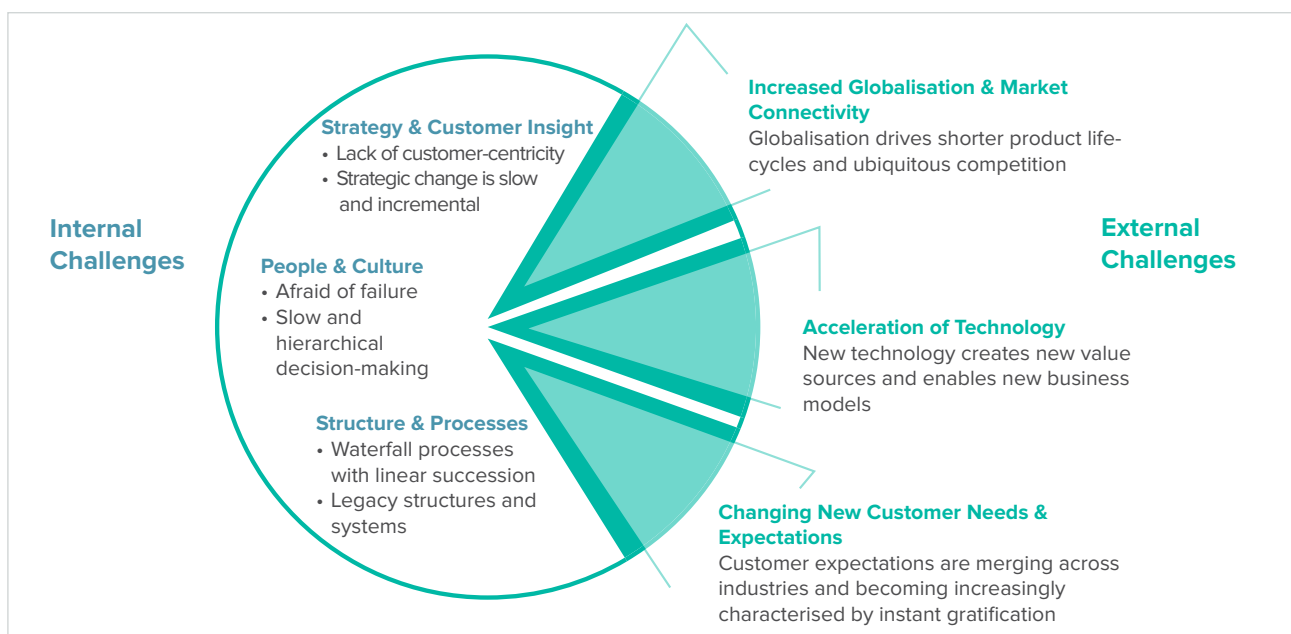
“We are losing the war for talent, especially in combinational thinkers who have a commercial and digital mindset.”

“We do not have the speed and entrepreneurial mindset to keep up with the market.”

Challenges have become strategic and operational in nature. Overcoming them requires speed, commitment and courage. Increasing R&D budgets to catch-up with competition is not a sufficient solution in today’s environment. Companies need to steal a chapter from the startups’ rulebook and embrace an entrepreneurial mindset. With the right growth and innovation approach, established corporations can turn the combined internal and external challenges into opportunities for accelerating growth.

It is time to take advantage of **uncertainty**.







Internal and External Challenges in Rapidly Changing Times



Key Questions

We Aim to Answer in This Book

We recognise that there are myriad of questions about accelerating growth through innovation and about entrepreneurial ways of working. Below are some of the key questions we have spent most of our careers exploring and working with our clients to solve. Our ambition with this book is to help you answer them.

-  How do I best create **ACCELERATED GROWTH THROUGH INNOVATION** and entrepreneurship? Is there a way to **STRATEGISE** and is it possible to spot new threats early? Can I reap the benefits of new opportunities without jeopardising my existing profitable business?
-  How do I best **ORGANISE** innovation and accelerated growth? Should I use a Corporate Garage? And is a Garage just a metaphor for a dedicated autonomous team with a new mindset, new workspace, and new way of working?
-  Is the **CROWD** a true alternative to finding, hiring, and installing the capabilities we need? And if so,— how can I start using the powerful tool of the “crowd” to create 10× ideation and gain access to the world’s best talent?
-  How do I truly teach my organisation **NEW WAYS OF WORKING**, ways that see fast failure as a step in the right direction? How do I “build the right thing before building the thing right” and move away from decades of “Toyota’s no-error” form of quality management?
-  What are the **PROCESSES, STRUCTURES, and METHODS** of working that enable my employees to experiment?
-  What are the key **LEADERSHIP** and **MINDSET** traits that drive corporate entrepreneurship and accelerated growth?

We have tried to bring the answers to these questions together into a pragmatic method for moving forward. In doing so, we have created what we have named as the Corporate Garage Approach.

The Corporate Garage Approach

We have been working on the Corporate Garage Approach for more than four years across multiple iterations. The concept arose out of a series of engagements with clients who requested our support in creating growth through innovation. We often spent months developing a strategy, innovation processes, and a team for each client that could help them make growth through innovation a real priority.

This experience led to the accumulation of important lessons and pitfalls to avoid which now form the basis of our approach. We have tested the Corporate Garage Approach successfully in numerous settings over the years, and this book encompasses our accumulated learnings. Throughout this book, we will present examples from some of our clients who have built Corporate Garages. These examples are intended to kick-start your thinking around how your business could potentially employ this approach.

The approach itself encompasses the structures, competencies, processes, and mindset that we have learned organisations must possess if they are to succeed in today's business environment. Our experience shows that the Corporate Garage is a practical way to help your organisation explore and develop new opportunities in a much faster, cheaper, and more successful way.

There are four primary elements in our approach. Each section of this book provides a deep dive into one of the elements,

WHAT IS A CORPORATE GARAGE?

A Corporate Garage is an autonomous, entrepreneurial entity set up to create growth through innovation and entrepreneurship in the most cost-effective way possible.

We also consider the term Garage to cover other types of innovation initiatives, such as internal digital labs, hubs, and incubators.

The name Corporate Garage is inspired by the many great tech companies like Google, Apple, HP, Nokia, and Philips that began in Garages and had breakthrough ideas there. Additionally, we enjoy the comparison to an actual garage—separate from the traditional house but connected by a shared wall or garden. Expectations in a Corporate Garage are different. The financial calculations use different parameters, and the work methods are rougher, dirtier, and quicker. However, the Corporate Garage leans on the infrastructure, influence, finances, and resources of the parent organisation.

unpacking it and illustrating how to put it into practice. The elements of the Corporate Garage Approach are as follows:

I. The Corporate Garage Approach and Disruptive Opportunities

to understand the opportunities and forces that drive accelerated growth.

II. Commitment, Strategy & Structure

for how to drive and organise your innovation processes. The structure is designed to escape legacy hindrances and look at your organisation and its capabilities from the outside—not held back by vested interests and traditional agendas.

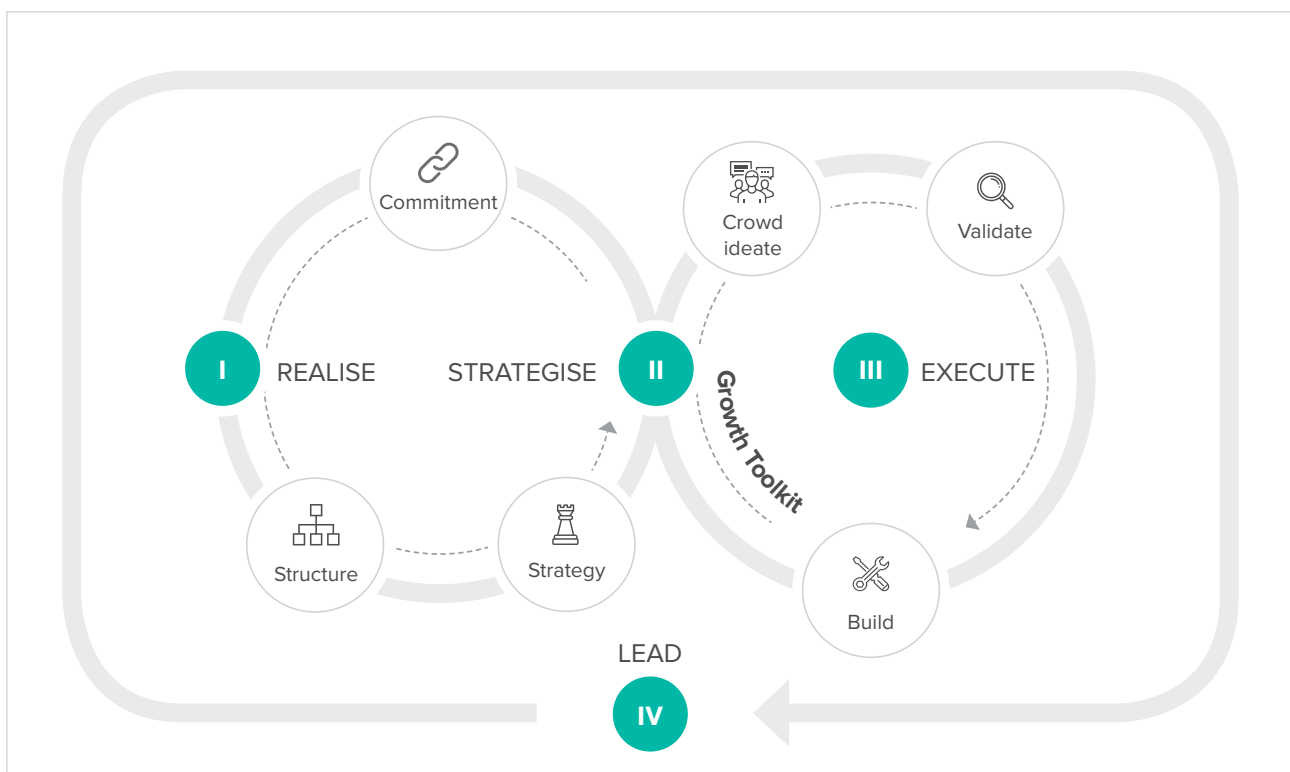
III. A Growth Toolkit

that accesses and utilises new sources of ideas and people with perhaps unforeseen perspectives to accelerate innovation and execution in parallel.

IV. Entrepreneurial Leadership & Talent

that introduce new perspectives on what your organisation can achieve and how you can lead your organisation.

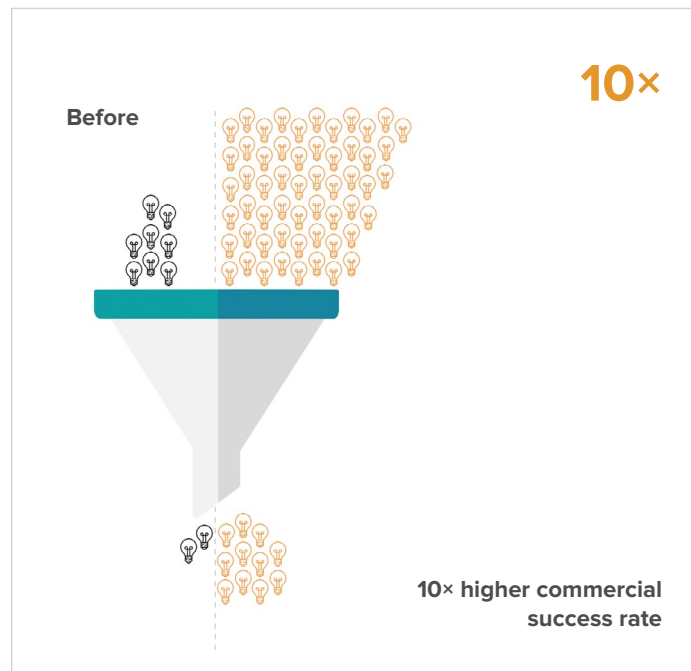
The Corporate Garage Approach



The 10× Imperative

An array of innovation processes exist in today's business world, and the approach in this book is built upon several of these, including **Design Thinking, Lean Startup, and Open Innovation**. The elements of the Corporate Garage and the Growth Toolkit may therefore not be completely new to you. However, our method of combining different tools is new and will dramatically improve your creation, validation, and learning loops. We do this by optimising for what we believe is a key factor for success in your Garage: the ability to generate and test a significantly higher volume of ideas quickly and for the same financial investment you would make using traditional techniques. We call this the **10× Imperative**. The basic premise is that most growth ideas will not lead to disruptive new businesses. **Even though you can try to increase the quality of ideas, it is much more effective to radically increase the number of ideas you are able to generate and test**, as this dramatically increases the likelihood that one or a few ideas will be successful and lead to substantial growth.

10× Imperative



The key to generating ideas at this scale is to leverage a crucial source of input that companies have historically neglected: **the crowd**. Traditionally, companies have relied on their internal brainpower or research and development (R&D) departments to generate good ideas. Most companies did not really involve anyone from outside the corporate firewall as they needed to protect their intellectual property, business secrets, and market plans, all of which are typically developed at great expense, via all kinds of confidentiality measures, non-disclosure agreements, and non-compete clauses.

Over the past 20 to 30 years, with the rise of methods like Design Thinking, companies have certainly moved further towards incorporating customer needs into how they innovate. However, the primary issue we find with existing methods is that gathering insights and ideating is still time-consuming and generates a comparatively low volume of ideas. The source of innovation is still often within the company. Furthermore, these methods do not effectively gather the best practice available in the world and often fail to identify real novelty. **This way of driving business development worked fine when the world was running at a slower pace.** However, companies have been finding it increasingly difficult to use this approach to maintain the innovation tempo required in the rapidly changing, hyper-connected world of modern business.

The aim of a Corporate Garage is to cultivate the 10× Imperative to source and generate ideas, then quickly and efficiently filter them, prioritising the better ones and winnowing out the weakest ones. To accomplish this, we take a crowd-based approach to ideation and use Rapid Market Validation to process the large number of ideas.

Principles Behind The Approach

Through our work with clients and corporates associated with Copenhagen Business School, we have observed numerous approaches to growth and innovation initiatives, most of which we have found appropriate and successful. However, we also noticed that most corporations could enhance the effect of their innovation efforts by leveraging key principles applied in the Corporate Garage Approach.

GARAGE PRINCIPLE 1: Leverage the Agility of a Startup

The Corporate Garage functions as an autonomous unit with startup-like flexibility to move quickly, experiment with new ideas and take risks that would rarely be supported in the parent organisation. The Corporate Garage invests only in what is necessary and celebrates failures because failure yields learnings and paves the way for rapid improvement. Finally, the Corporate Garage is united by a strong purpose and takes an entrepreneurial approach to market validation in quick, effective, and cost-efficient ways. Below are the key forces behind the “startup way inside the corporate”:

- | | |
|--|---|
| ✓ Entrepreneurial mindset | ✓ Constant search for new ideas and partnerships in the ecosystem |
| ✓ Willingness to challenge the status quo | ✓ Frugality to invest small and only when needed |
| ✓ Ambitious talent that are inspired to solve big challenges | ✓ Curiosity about outliers |
| ✓ Risk takers who love and celebrate failing | |
| ✓ Purpose-driven nature | |

GARAGE PRINCIPLE 2: Leverage the Power of a Corporate

Corporates have several scale advantages which are difficult for startups to replicate. These advantages can be utilised by the Corporate Garage to accelerate growth if they are orchestrated carefully. The key advantages include:

- | | |
|--|---|
| ✓ Brand equity, which encourages adoption, trust, and confidence | ✓ Existing customers and partnerships |
| ✓ Access to capital and knowledge | ✓ Experience navigating legal and regulatory challenges |
| ✓ Global infrastructure and assets, expediting distribution | ✓ Ability to invest big while calculating and mitigating risk |
| ✓ Fast and flawless execution | |

GARAGE PRINCIPLE 3: Leverage Open Innovation and Crowd Creativity

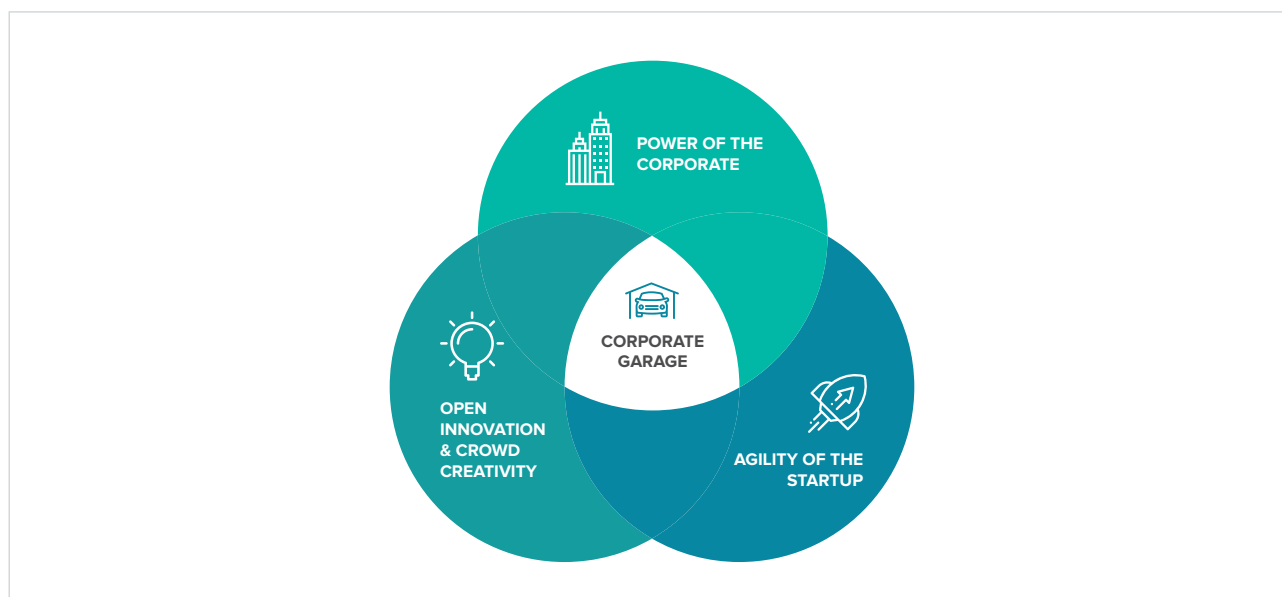
The Corporate Garage Approach advocates utilising crowd platforms for ideation and solution design to take advantage of the power of open innovation and to achieve breadth and depth of ideas and concepts at the speed of today's business. Crowd innovation (or crowdsourcing of ideas, solution design, and sometimes even validation) can be orchestrated in many ways. We suggest using a group of diverse people, groups, or startups **to allow for crowd fertilisation by external contributors who can provide the company with the new ideas, expertise, and perspectives** necessary to rapidly develop and test new solutions. In fact, the Gartner 2016 CIO Survey of nearly 3,000 CIOs found that leveraging the crowd is the most impactful digital innovation practice in

terms of generating a return¹. By leveraging the crowd, those who develop a Corporate Garage are not only able to gain knowledge and expertise that was previously unavailable to the company, but are also able to generate significantly more ideas from crowd-fertilisation at a low cost in a short amount of time. Below are some of the key benefits of utilising the crowd for accelerated growth:

- ✓ Diverse and abundant solutions designed by diverse participants
- ✓ Opportunity to engage with entrepreneurs, employees, and customers
- ✓ Improved brand awareness through social media and publications
- ✓ Opportunity to build an active digital-platform-enabled community
- ✓ Increased effort in market validation and user testing
- ✓ Reduced R&D expenditure as ideas are sourced from an open community
- ✓ Time savings via creation of online challenges

These principles lay the groundwork for the development of the Corporate Garage Approach, which aims to be a tangible hands-on approach that you can implement in your business immediately.

The Corporate Garage Approach Combines the Principles to Accelerate Growth Through Innovation



By combining the principles of **Corporate Power**, **Crowd Innovation**, and **Rapid Market Validation**, you can **truly deliver additional impact via growth through innovation**. The Corporate Garage Approach helps you compete in a market where powerful technological advances, changes in customer expectations, and increasingly global industries compete at an accelerated pace. As venture capitalists continue placing long-term bets on startups, you have the opportunity to invest in meaningful ideas from within and outside of your own organisation. A successful Corporate Garage requires a combination of entrepreneurial agility, corporate power, and the world's creativity to drive ideas, scale them, and unlock sustainable growth for established organisations.

¹ Gartner CIO Survey, 2016

“

Combining crowdsourced innovation and systematic rapid market validation together with the power of a corporate is a vigorous approach that is new to the world.

”

LARS BO JEPPESEN

Professor, Management of Innovation at
CBS Department of Strategy & Innovation

How You Benefit from the Corporate Garage Approach

The ambition and focus you set for your Corporate Garage will influence the benefits and results you gain from your innovation efforts. However, we have identified some common and consistent benefits which you will likely encounter at some point during the lifetime of your Corporate Garage. Importantly, some of these benefits may have a positive influence on the company beyond the Garage.

Benefits from Driving Accelerated Growth in a Corporate Garage



Identify new opportunities: A Corporate Garage facilitates a process and utilises tools for exploring new and often overlooked growth opportunities that help extend the current business model



Execution power: A Corporate Garage is an innovation school that builds essential startup skills, entrepreneurial capabilities and customer insight



Creative culture: A Corporate Garage develops a culture that celebrates new ideas, failures, customer-centricity and learning



Reduce silos: A Corporate Garage breaks through silos in your organisation and develops talent that works collaboratively



Speed: A Corporate Garage accelerates development timelines and shortens the time-to-money cycle



Branding: A Corporate Garage ensures that customers and talent perceive your brand as innovative and exciting



21st-century leadership: Attract, retain, and grow mission-driven leaders who challenge the status quo, who excel at forming strong coalitions within and outside of the company, and who solve big—often global—problems



New Disruptive Growth:
You set out to discover the next big hit

Key Takeaways from the Corporate Garage Approach

01

A Corporate Garage provides an effective and practical approach for managing and implementing your innovation and growth efforts.

02

It is much more effective to radically increase the number of ideas you are able to generate and test than to attempt to increase the quality of ideas. We call this the 10× Imperative.

03

A Corporate Garage invests in what is necessary and celebrates failures because it provides learning and paves the way for rapid improvement.

04

The parent organisation can accelerate the growth of the Corporate Garage by offering scale beyond what startups can replicate.

05

A Corporate Garage can leverage the wisdom and creativity of the crowd, a proven, impactful digital innovation practice in terms of generating a return on investment.

How to Read This Book

In this book, we introduce our approach to seizing the disruptive opportunities offered by today's and tomorrow's business environment. We detail the three primary elements of the Corporate Garage Approach and provide a step-by-step guide to help you overcome the internal and external challenges.

PART I - REALISE: The Corporate Garage Approach & Seizing Disruptive Opportunities

In this part, we introduced the Corporate Garage Approach—our proposed method for accelerating growth and overcoming disruptive forces. However, before diving deeper into the Corporate Garage approach, we find it important to present our take on how fundamental shifts in the world are affecting today's business and why this calls for a new way of organising growth. The second chapter outlines the primary disruption factors affecting the business environment today (Seizing Disruptive Opportunities). It touches upon the primary reasons business leaders struggle to see opportunities instead of threats when facing disruption and how those factors force businesses to work in new ways. The chapter concludes with what this means for businesses.

Part II - STRATEGISE: Commitment, Strategy, & Structure

The first element in the Corporate Garage Approach is “Commitment, Strategy, & Structure”. This element includes clearly defining the Corporate Garage: What is its overall purpose? What topics will it address? How will it operate, and how will success be measured? A common mistake in establishing a Corporate Garage is not ensuring upfront alignment of these critical topics. Companies that neglect this crucial first step risk establishing growth teams that are not integrated into the company's overall strategy and delivering projects that struggle to gain traction.

The three chapters included in Part II outline the specifics on how to ensure disruptive growth as a top-level priority (Disruption Commitment), define what overall topics of focus for the Corporate Garage (Disruption Strategy), and create a functioning team to power the Garage (Disruption Structure).

PART III - EXECUTE: Crowd Ideation, Validation & Build

Once you have defined how the Corporate Garage will function and how it will interface with the parent organisation, it is time to get to work. One of the primary features setting the Corporate Garage apart from other areas of the organisation—and from more established ways of working—is its approach to identifying, developing, testing, and building potential growth opportunities.

Part III explores the core of the Corporate Garage and showcases how our approach allows you to rapidly explore myriad growth opportunities while restricting investment to opportunities that show real, proven, potential with customers. It outlines how to leverage external expertise to source opportunities (Crowd Ideate), establish whether ideas will really work in actual commercial contexts (Validate), and ensure validated ideas are given the support they need to iterate and grow (Build).

PART IV - LEAD: Leadership & Talent

The final component of the Corporate Garage Approach is perhaps the least tangible but the most critical to ensuring the long-term ability to create disruptive growth. The impact of the right talent should not be underestimated— attracting the right Leadership and Talent to the Corporate Garage is by far the biggest challenge any company will have. Companies must be creative about how they source, compensate, and lead talent from the get-go.

The final chapter focuses on outlining the key Leadership & Talent imperatives on which the leader of a Corporate Garage must focus to be successful. All leaders must be talents, and all talents must be leaders. We start by defining the behavioural DNA necessary to close the imagination gap. This includes extreme ownership, a natural urge for discovery, being a master storyteller. Finally, leaders must be real change makers and become Executive Champions that can strengthen cooperation between the parent organisation and the Garage.

Final Remarks

The final remarks offer our reflections on experience in setting up several Corporate Garage initiatives. We acknowledge the criticism of Corporate Garages, and in reality, there are significant challenges. We argue, however, that these remarks are the result of poor alignment between the Garage and parent organisation, and we propose tools to overcome these obstacles.

We believe the crowd may become a defining feature of future corporations from product development to staffing to funding.

PART I - REALISE

Chapter 1: The Corporate Garage Approach

Chapter 2: Seizing Disruptive Opportunities

2

CHAPTER TWO

Seizing Disruptive Opportunities

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*Put simply, the Corporate Garage is an approach by which companies can **organise, work and lead** in order to create an exponentially higher number of growth opportunities.*

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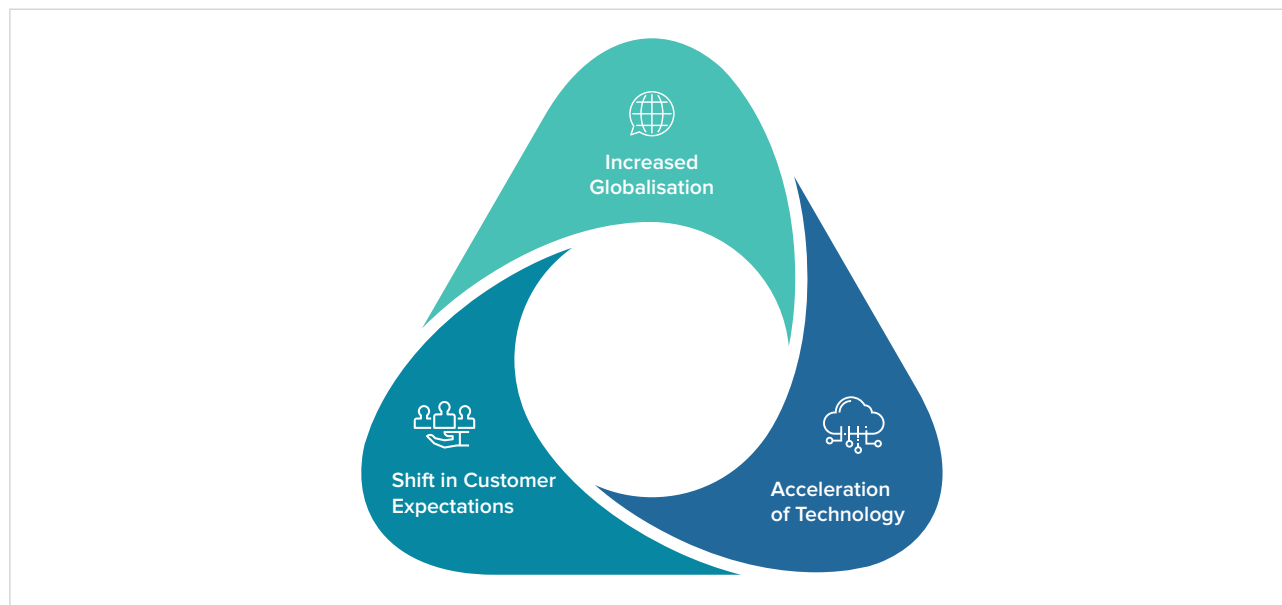
**AUTHORS OF THE CORPORATE GARAGE
APPROACH BOOK**

The World is Changing

The world economy's operating system is being rewritten. We are undergoing a dramatic transition due to the confluence of **three fundamental disruptive forces: increased globalisation, acceleration of technological progress, and shifts in customer expectations**. Compared to the Industrial Revolution, it is estimated that the disruption and change caused by the Fourth Industrial Revolution² is happening ten times faster, at 300 times the scale, or roughly 3,000 times the impact³. Disruption is not a new phenomenon. The transportation industry was disrupted already early in the 20th century when the “car” automobiles largely replaced the horse-drawn carriage. However, the current speed and magnitude of digital disruption across sectors and functions has never been experienced by our economy before, and it is happening at an unprecedented scale. As Thomas Friedman noted, “The distance between imagining something, designing it, manufacturing it, and selling it everywhere has never been shorter, faster, cheaper, and easier”⁴. When asked, less than 10% of CEOs express a belief that their current business model will survive digitalisation. Digital platforms and the new ecosystem economy will claim over 30% of total revenues during the next 5 to 7 years. Digital business models transfer most of the new value created to customers—not corporates—in the form of price reductions. Huge shifts in profitability are expected across all industries.

Although we all know that these disruptions are taking place, most companies underestimate or fail to comprehend the full magnitude of the resulting disruptive effects. We highlight the three fundamental forces mentioned above, as we believe these play crucial roles in how business has been and continues to be disrupted: increased globalisation, acceleration of technological advances, and a shift in customer expectations. Much as waves can amplify one another, these trends are amplifying each other—gaining strength, magnitude, and influence as they interact with and feed upon one another. Together, these trends are producing monumental changes.

Three Trends Driving Disruptive Change



² The Fourth Industrial Revolution (4IR) is characterised by a fusion of technologies blurring the lines between the physical, digital and biological spheres, collectively referred to as cyber-physical systems. It is marked by emerging technology breakthroughs in a number of fields, including robotics, AI, nanotechnology, quantum computing, biotechnology, IoT, Industrial IoT, fifth-generation wireless technologies (5G), additive manufacturing/3D printing and fully-autonomous vehicles. Klaus Schwab, 2018

³ McKinsey Global Institute, 2015, and McKinsey Quarterly, 2018

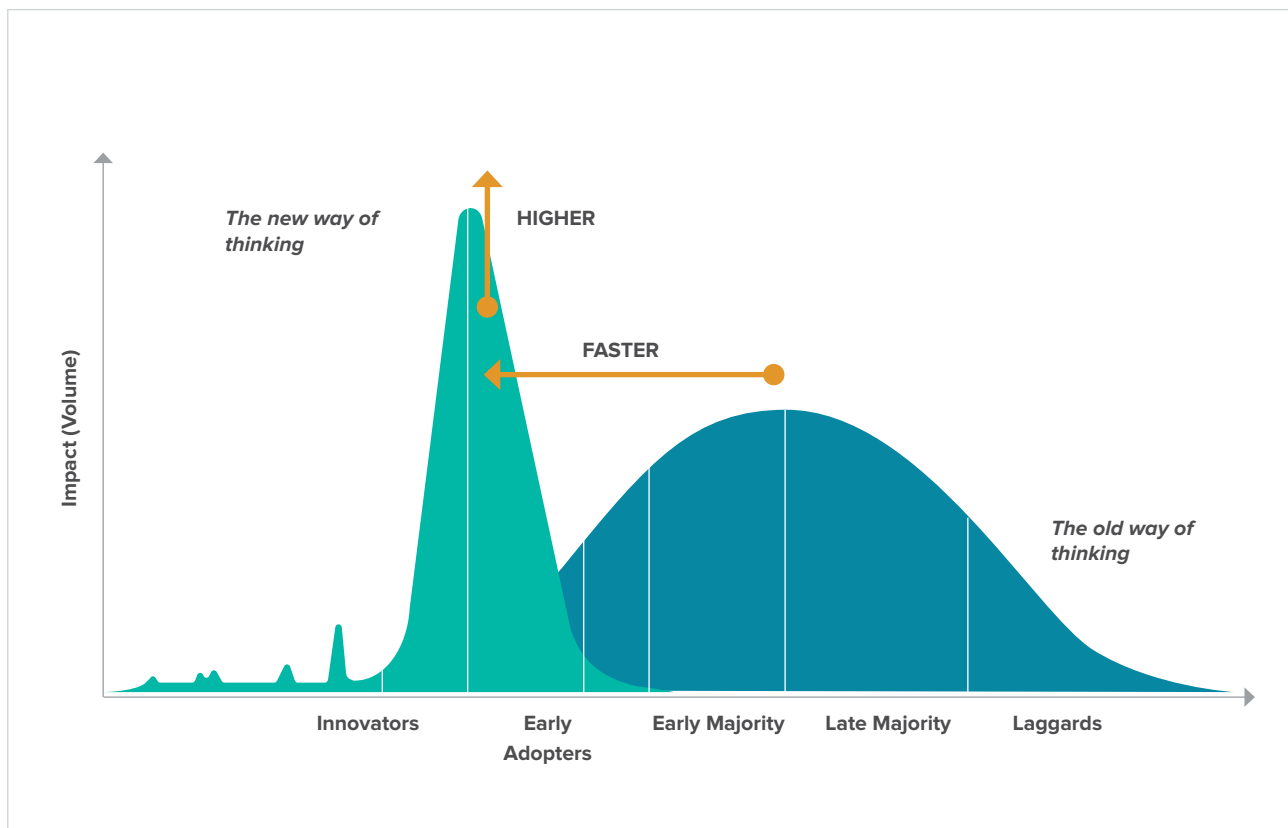
⁴ Thomas Friedman, Thank You for Being Late (p. 112)

Increased Globalisation and Market Connectivity

In the past, a product or service in a particular market gained traction gradually and steadily along a path shaped as a bell curve. Customers adopted the new idea one by one (usually on the basis of marketing or usefulness), and over time, the idea gained momentum. Growth was usually sustained over time until a significantly better product or offering was introduced. In today's world, markets are often conquered with a **“shark-fin” burst of exponential growth**. This begins with entry into the market of a new product or service, which experiences an early sales spike, and is propelled by innovators, first-movers, influencers, and early adopters. This spike is also fueled by social media exposure. Products that meet a critical customer need and have the right support structures behind them can scale and reach market saturation quickly. More often than not, they fulfill a simple and targeted customer need that can either be easily **adapted to different cultural contexts** or that spans cultures, creating global tribes. To maintain market position, these solutions need to continually innovate and provide customers with a reason to come back. Otherwise, they risk seeing an equally rapid descent in market penetration.

This makes traditional ideas about gradual, incremental uptake obsolete at best, creating a short-term advantage for the disrupting company. **Product lives are shorter** and demand peaks are much higher because the uptake is much faster and can be global in scope. Conversely, trends and successes also stall and die faster because **competition is global**—“hits” get copied and challenged faster. This makes it difficult to stay ahead for a long time, and companies must put considerable effort into doing so. **There is no longer any certainty, nor any haven of commercial refuge.**

Disruptive Innovation Follows a “Shark-fin Curve” (higher and narrower). The Ability to Identify Early Warning Signals is Necessary in Order for the other Companies to Participate in the Market



Pokémon Go Reached the World in Its First Month

The Pokémon series got its start in 1995 with the classic “Pokémon Red and Blue” games for the original Nintendo Game Boy, before branching out into a cartoon and media empire.

In July 2016, Pokémon Go was released in the U.S. as an app-based mobile game. The app allowed users to use augmented reality (AR) to capture Pokémon and be rewarded points. In its first day, nearly six million people downloaded Pokémon Go, and by August 2017, the app had been installed more than 100 million times globally, generating over a billion dollars in revenue—an impressive feat in itself, considering that the app’s basic version is free to users.

As of May 2018, the game still had 147 million active users, spurred by constant addition of new features and by the creator (Niantic) listening to the needs of its users.⁵

Continued Acceleration of Technological Advances

Technology affects almost every aspect of our lives. Thanks to the internet, virtually anything you desire can be delivered to your door in a matter of days. **The size and price of most new devices have declined dramatically, allowing immensely more widespread adoption of technology.** AI, 3D printing, resource-efficient sustainable production, and robotics will factor into the ways we currently make, manage, and mend products and deliver services. Concurrently, advances in mobile and cloud technology are enabling remote and instant access to information and to other people, facilitating remote working and thus lowering the physical strain on megacities and regionalising work locations.

Over the past few years, technological changes have forced companies to reconsider existing business models and invest in new technologies, even when **it requires cannibalising their legacy operations.** A company’s ability to **change their mindset** may define their ability to survive in the long-term. Many businesses have succeeded in using the internet as their primary medium, enabling **disruptive business models to decentralise economies as we move from value systems based on ownership to value systems that enable access and integration.** Personally owned assets, from cars to spare bedrooms, expand entrepreneurship and allow regular people to diversify their income streams. Businesses benefit from an existing asset base and repurpose these assets for the growth of the company.

The Rise of Netflix’s Digital Business Model and the Fall of Blockbuster

Netflix started as an online DVD rental company in 1998. Its main rival was the brick-and-mortar video rental chain Blockbuster. The original Netflix business model was subscription-based. Clients had access to unlimited DVDs that could be sent to their home for a fixed monthly fee. Netflix had 700,000 subscribers in 2002 and 3.6 million in 2005, pointing to clear market demand.

Yet, in 2007 Netflix decided to move into streaming and away from the traditional DVD rental format. Over the next three years, the company focused stubbornly on streaming, and slowly but surely, the streaming facilities began to be supported on different game consoles, handheld devices, and television sets. In 2010, streaming subscriptions topped 20 million and Netflix stopped supporting DVD rentals. By the end of 2018, the number of subscribers to Netflix had grown to 138 million.

⁵ Forbes, 2018

<https://www.forbes.com/sites/insertcoin/2018/06/27/pokemon-go-is-more-popular-than-its-been-at-any-point-since-launch-in-2016/#55535b71cfd2>

A Radical Shift in Customer Expectations

Spurred by rapid technological advances, **customers are better informed and have more choices than ever before**, resulting in increased customer expectations and lowered customer loyalty. We have moved into the **Age of the Customer**, and businesses must be prepared to frequently adapt operations and shift with customer demands to win the battle for customers. **The risks in today's customer-led market have shifted from responding too early to responding too late.** To remain successful, companies will need to systematically reinvent themselves to understand and serve increasingly powerful customers. Considerable opportunity awaits brands that are able to interact with their customers on an individual basis—from personalising marketing journeys to providing informed and unique customer care. Delivering personalised experiences drives customer loyalty, greater revenue growth, and extended longevity for the business.

Nike: Keeping an Eye on the Customer

Going much deeper than its world-famous “Just Do It” slogan, Nike’s internal mantra is strongly anchored in CEO Mark Parker’s growth focus: “Everything we do starts with the consumer”. This customer-centricity is the driving engine behind Nike’s product development and determines its direction of growth. The repercussions of this focus on the company’s product launches during Parker’s tenure are not difficult to identify.

Back in 2006, the company created ripples in the world of personal electronics when it launched the platform “Nike+”, which focused on improving the athletic performance of customers wearing its products (via built-in sensors). This effort ultimately pioneered the industry of performance tracking itself.

Nike does not see itself as simply a manufacturer of athletic wear. Instead, the company follows the demands of its customers and pushes full steam ahead with innovative customer experiences. To this end, Nike is constantly building skills in-house, but it is also acquiring firms with additional capabilities, such as Zodiac Inc., a consumer data and analytics firm, to help deepen relationships with consumers all over the world, with a primary focus on Nike+ members.

Moving Towards a Hyper-Connected World

The combined effect of increased globalisation, accelerated technology, and shifting customer expectations drives connectedness at multiple levels, presenting a whole new set of opportunities and challenges for companies. Whilst manifesting itself in different forms within each trend, **this connectedness is blurring the lines between markets and industries like never before and with increasing speed.** Globalisation transcends national and cultural barriers, pushing companies to think about markets in terms of global needs, influences, movements, and threats. Technology is also **blurring the gap between the digital and real worlds** by increasing the speed of communication and providing data insights and ubiquitous connectivity. As a result, customers have become accustomed to a world of **instant gratification, real-time dialogue** with companies, and an **insatiable quest for better quality products and value-adding experiences at lower prices.** The challenge is that this connectedness **does not respect previously defined industry silos:** rather, it transfers value and service expectations from one industry to another, creating new forms of pressure on existing companies.

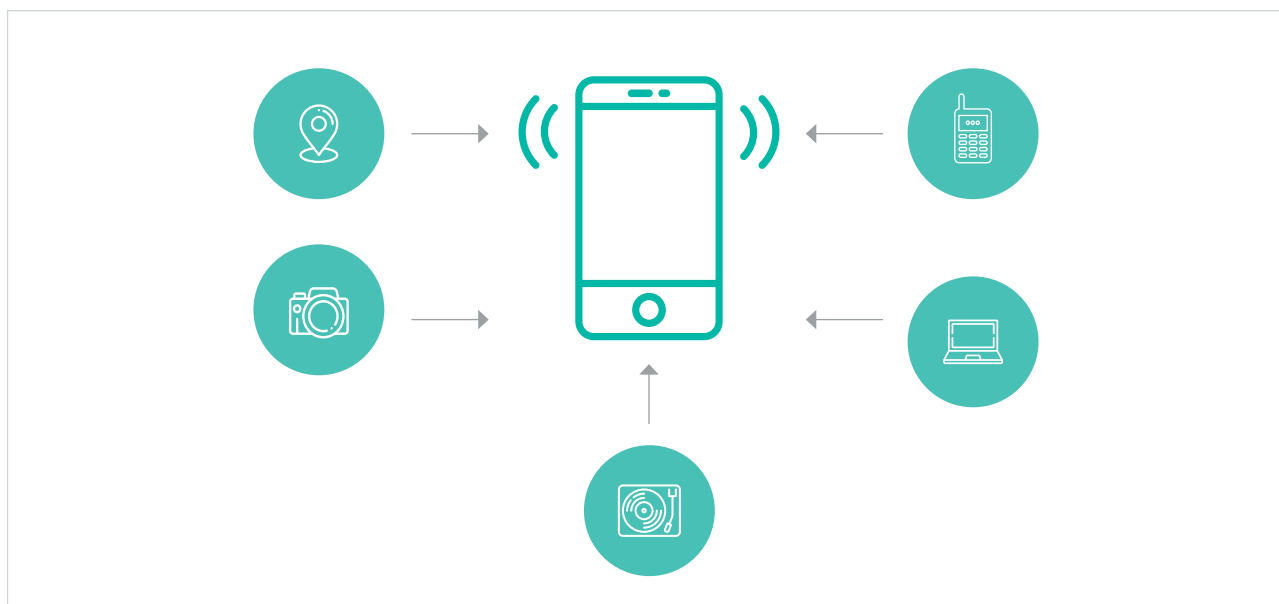
Moreover, these influences may originate not from the same market but from a variety of somewhat adjacent industries. For example, recent developments in the automotive industry towards electric and increasingly connected vehicles can be respectively traced back to technological advancements in the energy industry and norms in customer expectations arising from consumer electronics. Add the transition towards new car-as-a-service business models and the automotive industry begins to look a lot more complex than only a decade ago when manufacturers were competing mainly on performance, branding, and price. The change has also attracted new entrants like Tesla, Waymo, Uber, and other mobility services into the industry, which was previously perceived as an industry with particularly high barriers to entry. This trajectory of product development and adjustment to customer expectations within the automotive industry is a prime example of the blurring of industry boundaries. **As industries converge and consolidate, it creates a need for alternative business models, competencies, and technological initiatives.** Importantly, this means that industries are being influenced by multiple sources of change outside of their own traditional domains.

These trends and other advances in technology create opportunities for a relatively effortless transition from one industry to another. Technology combined with the vast and continuously growing pool of data now available to companies has enabled them to **gain access to two traditionally expensive and time-consuming aspects of growth:** consumer behaviour and advertising. Today, companies acting in a certain market or industry may gain knowledge about consumer behaviour in adjacent or even remote industries, enabling them to expand their products or service offerings to include additional services or new customer groups. **In other words, information asymmetries between many adjacent industries are becoming smaller as data is collected at multiple interaction points during the lifetime of a product or service.** This is part of the driving force behind the growing number of X-as-a-service offerings and ecosystems. The impact of this trend is enormous: for the past 20 years, the value add of services as a percentage of world GDP has significantly increased, while that of manufacturing has decreased.

Blurring the Boundaries between Products & Services

Servitisation, or the development of X-as-a-service offerings, is in itself blurring the boundaries between products and services. **Companies are increasingly offering “solutions”** that combine products and services rather than separately sold items, in an effort to combat the commoditisation of their products. These companies are capitalising on their understanding of customer behaviour in other words, **their data—to capture a higher share of the consumer’s wallet**. More importantly, customers are often locked into a network or ecosystem of services where the costs of switching to a different provider may be significant. **Thus, the fundamental boundaries that have defined how “product” companies and “service” companies interact and compete are also blurring.** The next competing product may come from a service company, as has been demonstrated in multiple cases over recent years (think Google’s Pixel phones, etc.). The figures on created value make this shift obvious. Focusing on a products-only strategy seems unlikely and unwise in a world that is clearly moving towards services or solutions as drivers of growth. **Companies must adapt** by creating their own ecosystems or partnering with companies within and beyond traditional boundaries. As industries and services converge, customers win, with the value being redistributed to them. The companies that capture the remaining value are often from sectors far from where the original profit pools originated.

As Industries Converge, Companies Must Look Towards Ecosystems in Order to Deliver Services and Create Value



Similar changes can be observed in the current value-creation roles of the public sector and private companies. Private businesses have historically been focused on generating shareholder value, sometimes even at high costs to society. However, in recent years, concepts of shared value have increasingly gained attention in boardrooms and the stock market, with **social investing, public-private partnerships, and society-driven company missions** gaining a foothold. All these movements dissolve and blur existing definitions of industries, markets, and economic roles, **driving a level of connectedness between various global actors**. This multidimensionality of technological and social movements allows multiple boundaries to shift simultaneously to create new playing fields for breakthroughs.

Ecosystems are Increasing Value Delivery

In addition to the increasing servitisation seen in many markets, ecosystems delivering multiple solutions within a common value chain have become increasingly prevalent. Importantly, we argue that **markets are facing two types of ecosystems at two different levels of abstraction**. The first type is often focused around a digital solution that enables the combination of multiple products or services in a seamless and frictionless manner that creates additional value for the user. A simple example of this is the ecosystems built around computer operating systems, such as iOS and Windows, where the user is connected through a single set of digital rules. These ecosystems can encompass a wide range of products and services from gaming or entertainment to payments or health tracking. From a consumer's point of view, the central feat again is that these ecosystems are deeply connected, global (to a large extent) and enabled by accelerating technology. **They provide a single point of service and high levels of convenience**. Yet for companies, the most significant value creator is their openness to a multitude of contributors within the ecosystem. These third parties continuously develop the ecosystem by creating content, developing their respective interests and enabling growth through infinite exposure to their capabilities, perspectives and experiences. **Ecosystems enable companies to take part in a value chain or customer journey at multiple points in time seamlessly across industry boundaries**. This can become a strong competitive advantage and, vice versa, a curse for the competition. Throughout this book, we encourage Corporate Garage owners to open up their innovation process and seek new untapped opportunities by embracing new business models along the customer journey in partnership with ecosystem participants.

The second type of ecosystems is even more **deeply focused on the principles, goals, and values of a certain value chain or customer journey**. These ecosystems are often seen in healthcare, transportation and other industries that traditionally have been highly fragmented and often limited by regulation and oligopolistic competition. A highly relevant ecosystem in today's increasingly aging Western world is developing around healthcare. Healthcare is a prime example of an industry that has often operated at sub-par levels, with enormous inefficiencies and huge upside potential. However, with the increased connectedness across industries and mounting customer expectations, many actors have approached healthcare with customer-journey-driven solutions rather than disease-, process-, or device-driven singular fixes. This has created healthcare ecosystems that include businesses from multiple parts of the value chain (hospitals, banks, insurers, pharmaceuticals) or **even from outside the traditional realm of healthcare actors** (consumer electronics, etc.). The resulting solutions within these ecosystems cross multiple industries, capability bases and schools of thought, further blurring the concept of industries and the traditional application of a product or service taxonomy.

What This Means for Business

The direct impact of these macro trends has become obvious in today's markets as organisations are placed under pressure to defend business units and capture new opportunities. When we talk to clients and CBS partners about these major changes, **we often encounter a healthy amount of skepticism**. So much of the above seems to come from the high-tech sector (indeed, it often involves major advancements in technology) that it can be easy to dismiss its relevance for other sectors. However, in reality, **these shifts are already fundamentally changing the way businesses in every conceivable sector operate and compete**. With so much change happening simultaneously, it can be easy to focus solely on how these disruptions will threaten the core of existing business. Indeed, in our experience, this is what many leaders tend to focus on when trying to navigate how they and their organisations will respond. Executives that can find a way to pierce the uncertainty and find opportunities in all this change will be the ones we read about in the future as having experienced exponential growth that no one expected. **The impact of this change is not coming in five years' time, or even ten—it is already here. And all companies need to act now.**

Grab: Everyday Super-App

“Our goal is for one Southeast Asian app to offer all the daily essentials you need, anytime you need it, and even before you know you need it,” said Jerald Singh, Head of Product at Grab in Singapore. Grab offers taxi, food delivery, express delivery, and digital payment services and more. It offers a reward programme for using its GrabPay wallet, which creates stickiness for customers and promotes loyalty as they rise through loyalty ranks. Moreover, its mobile app has been downloaded more than 100 million times.

Grab strategically formed partnerships and integrated new services to create an ecosystem around its platform. For instance, it partnered with booking.com to offer exclusive discounts for Grab customers. Therefore, they are not just a transportation company; they are also a finance, insurance, and logistics company.

Recently, Grab unveiled an open platform strategy to launch further services by opening access to its user base, distribution channels, and a suite of APIs that enables partners to leverage Grab’s technology. Grab is the first Southeast Asian mobility company to hit revenues of US\$1 billion. Finally, as a Grab customer, consumers have access to a vast range of services all in the convenience of a single digital platform.⁶

Key Takeaways from Disruptive Opportunities

- 01 The world is changing at an unprecedented pace, and companies need to remain agile.
- 02 Globalisation, acceleration of technology, and radical shifts in customer expectations are disrupting the way businesses compete, grow, and develop new products.
- 03 The combined effect of these trends is multidimensional and is pushing companies towards a hyper-connected world.
- 04 Boundaries are blurring between industries, products, and services and between private and public sectors disruption may come from anywhere.
- 05 Ecosystems have become popular vehicles for value delivery, enabling a whole new level of customer interaction and value creation.
- 06 We are feeling the impact of this change now and businesses need to adjust their growth strategies if they are to compete successfully in the future.

⁶ Grab, 2018
<https://www.grab.com/sg/press/business/grab-unveils-open-platform-strategy-to-build-southeast-asias-first-everyday-superapp/>

STRATEGISE

Founding a Corporate Garage to take action on the opportunities and threats of the changing world requires Commitment, Strategy, and Structure. **Executive Disruption Commitment** affirms the initial steps to be taken towards accelerated growth. This is followed by delineation of a **Disruption Strategy**, which sets a defined innovation ambition and ensures your Corporate Garage is aligned with your organisation's overall Corporate Strategy. Finally, a **Disruption Structure** is outlined to govern the Garage and metrics are defined for measuring success and driving delivery accountability.

Chapter 3 outlines the specifics on how to create excitement and ensure Executive Disruption Commitment and support for the Corporate Garage.

Chapter 4 explains how to define a Disruption Strategy by articulating a Disruption Thesis and forming a Disruption Portfolio.

Chapter 5 offers blueprints for designing a Disruption Structure and creating a functioning team to power the Garage.

The purpose of Part II is to answer this question: **What should we do and how do we begin?**

Key Concepts: Triple Growth, Zone-to-Win, Innovation Window, Disruption Strategy, Disruption Thesis, Disruption Portfolio, Disruption Structure

PART II - STRATEGISE

Chapter 3: Commitment

Chapter 4: Strategy

Chapter 5: Structure

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CHAPTER THREE

Commitment

Dealing with Uncertainty through Triple Growth

In today's business environment—in which the threat of disruption is so clear and acknowledged and the consequences so dramatic—why do many corporates still seem unclear about their Disruption Strategy? And how come they have not invested significantly in experimenting with new future-proofed business models? These new disrupting and threatening business models (such as Alibaba, Amazon, Grab, and Uber) work across multiple industries, customer segments, and technologies. They create new economic rules and generate uncertainty across traditional growth horizons.

To deal with such uncertainty, we suggest developing a clear strategic perspective for your organisation's current, next, and disruptive moves. We call this the *Triple Growth Perspective*:



Capitalising on existing business models to deliver next-quarter results while continuously optimising operations



Transforming your core by digitising your business model



Incubating and accelerating future disruptive growth (*Corporate Garage focus*)

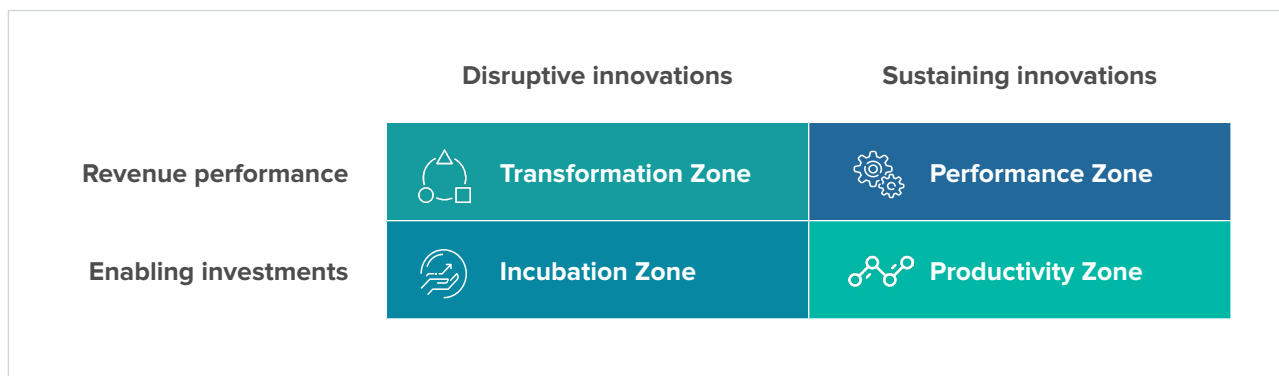
The *Triple Growth Perspective* creates strategic focus in the organisation and underlines the need for a distinct Disruption Strategy and plan for the Corporate Garage.

Founding the Corporate Garage

Building a Corporate Garage can be a daunting task, especially if your organisation is not accustomed to exploring disruptive growth opportunities. The actual steps required to develop a plan, navigate the organisation to find support, and establish the Garage itself often vary from company to company—and as it should. Your current organisation, strategy, and comfort with disruption will directly influence how you can optimally set up the Garage. To better explain the role of the Corporate Garage in your organisation and its role in the strategy agenda, we propose a simple framework called “Zone-to-Win” by Geoffrey Moore⁷. In our experience, it facilitates the right conversations around why each area of your business exists and how it contributes to growth.

⁷ Geoffrey Moore, 2015: Zone To Win: Organizing to Compete in an Age of Disruption

Organising Growth in Zone-to-Win



The framework suggests that to manage a healthy enterprise, it is necessary to isolate and execute strategies across four zones:

- **Performance Zone** - The core products that drive your business and comprise most of your top-line revenue
- **Productivity Zone** - The shared service investments and programmes that serve to optimise your core business (the performance zone)
- **Transformation Zone** - A new product or offering in an emerging and/or fast-growing market that is actively being driven to have a material impact on the business (at least 10% of revenue)
- **Incubation Zone** - New offerings and products in emerging and/or fast-growing markets that do not yet deliver a material amount of revenue, but that someday may be relevant to your business

In essence, the right side of the framework is where the traditional business is executed. **The left side, in contrast, is where your business explores new opportunities.** In the Transformation Zone, an organisation can manage the transformation of its business by investing in one product line, eventually graduating it into the Performance Zone. Most innovation and growth happen in the Incubation Zone—the focal zone of this book. The Incubation Zone acts as the catalyst of new ideas and solutions that may make their way to any of the other zones once they scale. **We argue that this zone should be organised as the Corporate Garage. It needs to be managed and operated differently than the parent organisation, with its own leadership, goals, and culture.** Compared to more traditional R&D functions, the Corporate Garage focuses on speed, customer centricity from the get-go, and testing assumptions. This typically means, that the **Corporate Garage will develop and test significantly more ideas and solutions than any other area of the organisation, which in turn means it will discard a lot of ideas—albeit quickly and cost effectively.** Investing in growth as a discipline means you will not know from the outset exactly what solutions will emerge or how quickly they will pay off. However, when done right, investment in growth can help you catch the “Innovation Window”.

Understanding the position of the Corporate Garage within the company and within the Incubation Zone is an important first step to founding the Garage. **It will help you approach the following crucial decisions from the right perspective.** To help you take the first step towards establishing an effective Corporate Garage, we have divided this initial phase into three sequential elements:



DISRUPTION COMMITMENT

Create true and thorough commitment amongst the top management team members



DISRUPTION STRATEGY

Set a strategic direction for innovation and create alignment amongst the top management team members



DISRUPTION STRUCTURE

Frame the operating model, structures, and interfaces required to effectively operate the Corporate Garage

Disruption Commitment

Avoiding the Innovator's Dilemma

Obtaining a growth mandate from leaders who have experienced success in their established business is crucial, but it is not easy. **However, thorough executive commitment is a prerequisite for an effective Corporate Garage.** A clear mandate to create and follow through on a disruption strategy is vital. Even more important is visible and active promotion of the Garage by top management, which will promote support by the organisation as a whole. Leaders need to agree on how market disruption could provide opportunities beyond the existing operations of their business. However, these **corporates are set-up primarily to protect and grow their existing core business (systems, structures, and scale).** Defending this business from change is often in the company's best short-term interest, and serious thought and effort go towards doing so. Generating maximum returns to shareholders in the short-to-medium term by growing and optimising the existing business is often priority number one for many leaders, and in many cases, those who do not protect their markets (performance and productivity zones) face more rapid extinction than those who do not innovate.

The dilemma arises when companies focus solely on fending-off the threats posed by environmental changes at the expense of exploring the opportunities these changes might present. In our experience, many companies fall directly into this dilemma—**they are aware of the disruptions they face and may spend considerable effort trying to ensure the survival of their business,** but precious few are able to explore the opportunities presented by disruption. The challenge of searching for and exploring new opportunities while simultaneously executing on the existing (often successful) business is especially difficult in cases where exploring new opportunities may hinder success in the existing business. This is a well-known phenomenon that Clayton Christensen dubbed the **Innovator's Dilemma.**

Missing the Innovation Window

Often, companies miss the Innovation Window—the optimal moment to innovate before a mature product or market stops delivering the required growth. Crucially, companies need to understand that **the Innovation Window is generally when revenues are growing at their fastest and business is looking rosy.** The challenge is recognising the need to start developing future growth before current growth slows. In our experience, the extent to which companies are able to **perform in the Innovation Window largely depends on the existence and execution of their Disruption Strategy.** Importantly, this disruption strategy needs to be considered as complementary to and compatible with the overall Corporate Strategy. In our discussions with over 50 companies, we have noticed that the strategic readiness of companies usually falls into one of three categories:

- A. Fully-fledged Corporate Strategy and Disruption Strategy**
- B. Fully-fledged Corporate Strategy, but absent or undefined Disruption Strategy**
- C. Adoption of new strategy process, following a consensus on the need for a strategy update, including development of a Disruption Strategy**

Companies that fall into the first category are in a position to follow their Disruption Strategy across their innovation and growth efforts—provided that the strategy has gained executive commitment. However, **companies should remember to frequently challenge and adjust both corporate and disruption strategies according to disruptive changes in the market.** Although they are not necessary in every case, these efforts may also be accelerated by setting up a Corporate Garage. However, companies that fall into the second or third categories should be careful not to miss the Innovation Window or get lost in an innovation process not directed by a defined strategy. Leaders in such companies should take some time to strategise on their Disruption Strategy and Disruption Thesis before committing resources to a Corporate Garage in the Incubation Zone.

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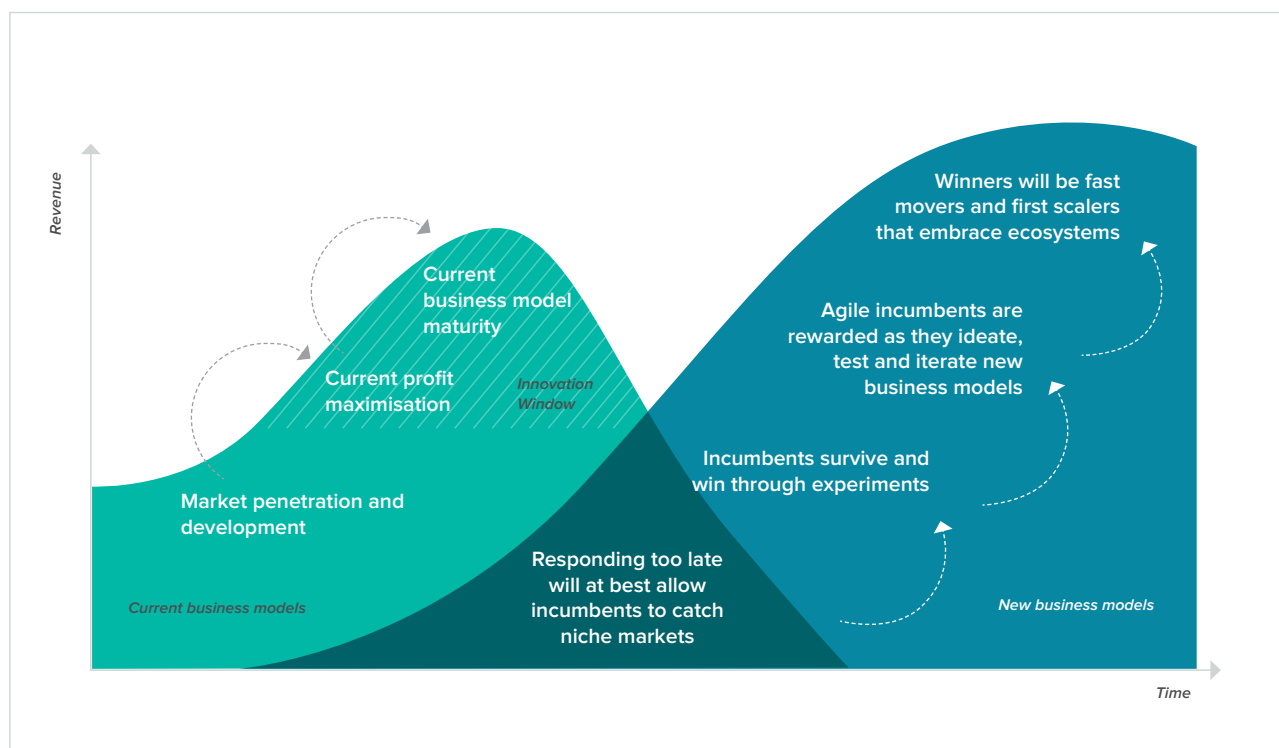
Traditional management practice tends to stifle innovation, and building a Garage does not fix that in itself. We also have to talk about innovation in leadership.

”

MAZ SPORK

Idea Executer, ISS Corporate Garage

Few CEOs Invest Heavily in Innovation Despite Knowing Their Business Model Will Become Outdated



Commitment

There are numerous ways to expose leaders to the value-adding potential of a Corporate Garage, but we have often found that **giving people a real-life problem to solve using the approach is an especially effective way of provoking learning and collaboration amongst leaders.** We aim to gain long-term commitment by demonstrating how entrepreneurial and collaborative methods will significantly impact how the organisation's capabilities can ensure quick and cost-effective results. We typically think about this in two steps:



Creating Excitement



Securing Commitment

Creating Excitement

In our experience, it is frequently a single person or one small group that pushes the *need for change*. However, this person or group is often unsure of how to get backing from the entire executive management team. **Making the call for further innovation at that moment is often very difficult, especially when innovation initiatives require allocation of significant resources.** People will ask why they should change when performance is good. But as mentioned earlier, this is the trap of the Innovator's Dilemma: the challenge is catching the Innovation Window before it is too late. Leaders that realise this and are willing to push to gain the support of their executive teams need to do so by igniting ambitions and imaginations to overcome complacency.

Real Life Example of Creating Excitement

In 2017, we helped the C-suite founding a Corporate Garage for a large Scandinavian industrial corporate. They had spent some time exploring options for the best way forward to truly prioritise accelerated growth through innovation. However, they were not aligned and could not reach consensus about the approach. The company was doing well, growing at a steady pace, and clear strategic priorities were underway. Executives saw the current performance of the company in the short-to-medium term as very positive and were mainly focused on ensuring execution and delivery of key strategic initiatives. The consensus seemed to be that rocking the boat at this time with new growth initiatives would be too risky and could create an imbalance in the organisation. As a result, many planned growth projects were not fully implemented.

Together, we decided to facilitate a series of workshops with the purpose of inspiring the senior executives and obtaining a commitment to move forward with a Corporate Garage to cast light on incubation opportunities. Rather than presenting specific ideas on how to govern innovation and growth initiatives, we focused on co-creating the future growth direction of the company. We studied how the industry, its main drivers, and the underlying technologies were evolving and where future value could originate. We also discussed how adjacent industries were developing and where the company could transform the value offered to its customers through additional services previously not considered part of the industry's value proposition. In other words, we entertained a new view on industry boundaries, the development of customer needs, and the long-term purpose of the company. Taking an aspirational approach truly inspired the C-level executives and paved the way for a discussion around *how* to achieve future aspirations, and hence radical innovation. The executives that took part in the workshops that day left with a new sense of purpose and an understanding that the steady growth that they were experiencing was simply the tip of the iceberg. Their company could drive industry transformation if they increased their commitment to an active innovation strategy.

Working together with executives to go beyond their everyday operational and strategic concerns can facilitate a discussion about true disruptive and transformational aspirations for the future. **Indeed, being able to see through the concerns and goals of today to unleash the ambition of future growth is crucial at this stage of the growth journey.** In our experience, the following tools work very well in a workshop format and contribute to establishing commitment to innovation amongst C-level executives and other key stakeholders:

- ▶ **Painting the picture** - Creating a vivid “to-be” business model where, in addition to the core business, a continuous stream of disruptive opportunities create the possibility for massive growth
- ▶ **Unleashing aspirations** - Sparking a new view on a larger purpose-driven aspiration for the company, creating value beyond core products and services to generate support and a burning desire for accelerated growth
- ▶ **Spotting the threats** - Analysing case studies from competitors and other industries with similar competitive characteristics investing in disruptive opportunities
- ▶ **Learning from disruptors** - Highlighting existing disruptions within the industry or adjacent industries
- ▶ **Identifying new technologies** - Showcasing startups/new technologies that are already gaining a foothold in the market and high-level market development trends
- ▶ **Listening to the customer** - Customer interviews and testimonials about the desire for new products and services, in both adjacent industries and your own

“

*When I started in HedeDanmark in 2016, I was impressed by the entrepreneurial mindset and by how many ideas were discussed in meetings. Unfortunately, I found that **when the day ended, no new initiatives had been initiated.***

*We are a service company with a constant focus on operations, and despite the number of great ideas, employees simply did not have the time to execute on them. This is why we decided to create a place where **the only focus is to catch ideas and execute on them.***

”

LARS H. PETERSEN

CEO, HedeDanmark

This list is certainly not exhaustive and different leaders may respond to these approaches differently, but the common thread is that the growth imperative needs to be made clear and tangible for the company. The workshops can and often should be **complemented with a more exhaustive disruption scan to provide deeper insights** on evolving technologies, societal changes and industry patterns:

- **Disruption scan** - A disruption scan visualises how emerging technologies and societal changes may impact the industries, markets and customer expectations your company serves and how your offering may perform in the new market environment. Comprehensive industry scans can help companies understand and identify potential disruptive threats and opportunities before they take place by analysing emerging business models, behaviour in target segments, new technology, investment patterns in venture capital and emerging partnerships. By gaining a deep understanding of trends, threats, and competitive positions, your company can be in a better position to develop a strategy to defend against new market entrants via partnerships, acquisition, or by direct challenges such as entering the market first.

Securing Commitment

Igniting executive interest and excitement is an effective first step forward, but to ensure implementation and commitment, hands-on experience with new ways of working and their growth-driving potential is crucial. After our initial executive workshops, described in the last case study, we held a “Corporate Garage Moonshot Day”. The CEO and executive team were introduced to the Growth Toolkit and spent the day working as if they were in a Corporate Garage. **One of the experiences that moved the needle was when an idea that was proposed in the morning was built during the day and introduced to the team during dinner.** Instead of waiting weeks for material to be developed on the initial idea, the team was introduced to a first draft of what the potential solution could look like, ready to be market validated — in just one day. This experience allowed the executive team to experience, understand and feel what being part of an ideating, exploratory and fast-moving work environment means. More importantly, it served as a powerful way to change their perception of achieving innovation through new ways of working. This specific company went on to set up a fully configured Corporate Garage to drive their growth agenda for the future.

This story is a pragmatic example of how exposing leaders to the ways in which disruptive growth ideas are sourced and developed is critical not just for gaining initial buy-in but also for determining the long-term viability of the Corporate Garage. By understanding how some of the key concepts of disruptive growth are put into practice (things like rapid ideation, validation, and testing), leaders can better grasp how a growth engine would function and better understand how to judge the performance of that engine beyond just bottom-line contribution.

Key Takeaways from Commitment

01

Companies can create value across all growth horizons through the Triple Growth Perspective, which entails capitalising on your current business model, transforming your core, and incubating for future disruptive growth.

02

A Corporate Garage provides an effective and practical approach for managing and implementing your innovation and growth efforts.

03

A separate location allows the Garage to be exploratory and to work in new ways, but clear integration points with the parent organisation allow the Garage to leverage assets belonging to the core

04

Create true and thorough Disruption Commitment amongst the top management team to ensure an effective Garage

PART II - STRATEGISE

Chapter 3: Commitment

Chapter 4: Strategy

Chapter 5: Structure

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CHAPTER FOUR

Strategy

Defining Disruption Strategy

Once leadership is convinced that creating disruptive growth is indeed a top priority, the question that often follows is “How do we do it?” There is often considerable excitement following initial workshops, and many leaders see appointing a person or a team to start working on creating growth immediately as the next step. While this enthusiasm provides a critical foundation for establishing a Corporate Garage, we find that teams formed in this euphoric state frequently set out without an adequate understanding of how they fit into the company’s Corporate Strategy and where they should focus their efforts. To help address this common issue, we often work closely with our clients from the outset to better define how they might execute on their growth ambition through a Disruption Strategy. **A Disruption Strategy is defined by two main components:**

Disruption Thesis

Disruption Portfolio

The Disruption Thesis defines the main innovation mandate of the Corporate Garage and provides direction for the Disruption Portfolio of initiatives within the Garage.

Disruption Thesis

In order to execute on C-level commitment, the Corporate Garage requires a clear and focused Disruption Thesis that aims to guide efforts throughout the innovation journey. Developing a Disruption Thesis can seem like a daunting task, but it does not have to be. As we cannot predict the future, **the Thesis must be developed and viewed as a hypothesis that will evolve over time.** At this point, it is important to recall our discussion on the convergence of industries, key macro trends, and the shift towards digitalisation, servitisation, and ecosystems. The connectedness experienced in today’s competitive environment may radically influence market conditions even in a short time window at any moment after the Corporate Garage has already been set up. Thus, understanding the Disruption Thesis as a direction to be tested and adjusted is key to avoiding becoming stuck in innovation patterns that may become outdated as the market environment continues to evolve. The investments made in various ideas will be the experiments that test the Thesis. These tests provide data that can be further used to review the Disruption Thesis. **We have seen positive results from reviewing the Disruption Thesis on a biannual basis.**

In our experience, three key components must be considered when framing the Disruption Thesis:



A Massive Transformative Purpose for the garage, which defines an aspirational vision centred around a key problem to be solved



The Innovation Ambition which determines the magnitude of change compared to your existing products and markets



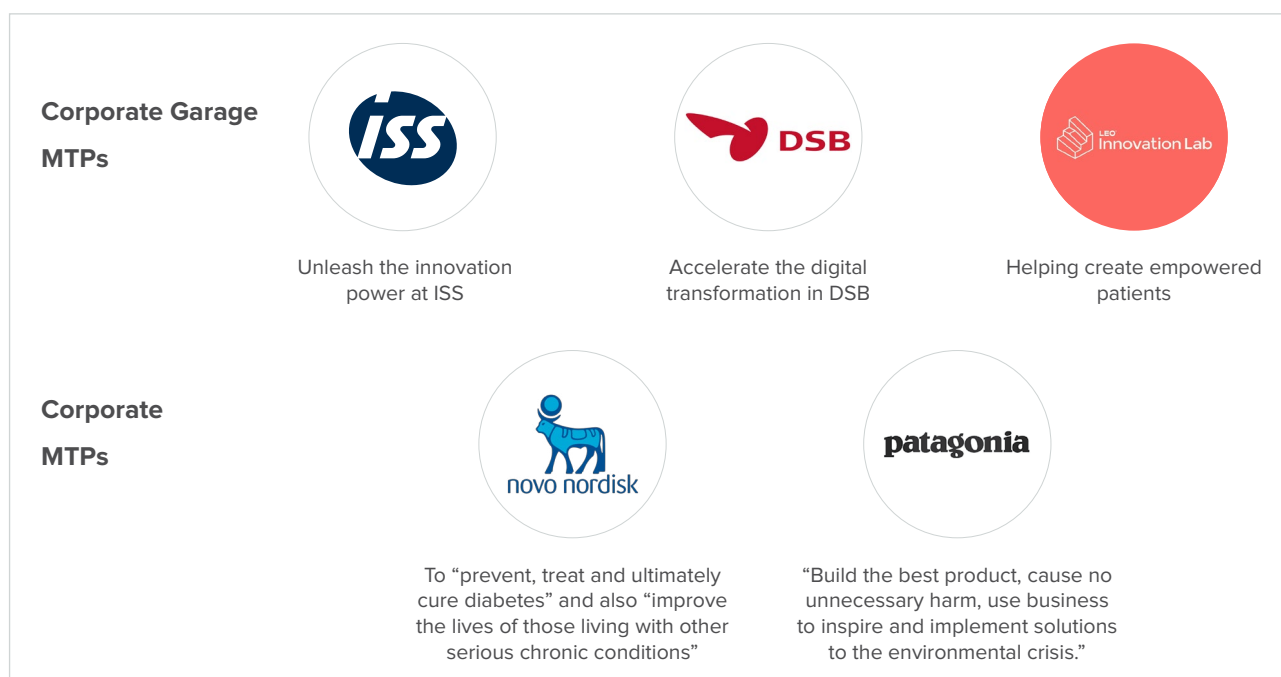
A Time Horizon which determines when you expect to have results from your Corporate Garage

These three components make up the **Why?, What?, and When?** of your Disruption Thesis and need to be aligned with your Corporate Strategy. This line-of-sight between Disruption Thesis and the overall Corporate Strategy is crucial: it ensures the relevance of growth initiatives arising from the Corporate Garage.

Massive Transformative Purpose

In 2014, Salim Ismail published *Exponential Organisations*, co-authored by Mike Malone and Yuri van Geest. In the book, the team analysed the 100 fastest growing organisations and synthesised their key traits. They discovered that every single company on the list had a **Massive Transformative Purpose (MTP)**. Setting an MTP for your garage will not immediately ensure that you achieve radical growth, but based on the research of Ismail, Malone, and van Geest, it is clear that an MTP that resonates with customers and a wider crowd can be hugely influential in creating and driving growth. In essence, an MTP is a **highly aspirational tagline** for an individual or group that declares the company's intent to create change by solving a significant problem area. An MTP often has aspects to it beyond simply creating industry disruption or growth. Think of Google's mission to "Organise the world's information and make it universally accessible and useful", or GE's "Build, move, power and cure the world". These companies do not focus just on creating growth but on changing the way entire markets or societies function. Thus, the MTP explains **Why** the company has a growth ambition and **Why** it is interested in innovating in the given area.

The MTP defines the type or character of the area in which the main problem is located. For example, Leo Innovation Lab's MTP—"Helping create empowered patients"—highlights patient empowerment as the key problem addressed by their Disruption Strategy. The MTP is often a huge and audacious purpose statement, which can prove very effective for scoping growth efforts. **It can also help liberate stakeholders from legacy concerns and shift the focus to a growth mission.** It creates a dynamic narrative that provides people with a clear and positive reason to get on board with the growth agenda. Generally, MTPs focus on solving a large problem that may have a range of potential solutions and that often lead to a multitude of growth opportunities over time. This is especially true for corporate MTPs, which often have an even wider problem area than Corporate Garage MTPs. Some examples include:



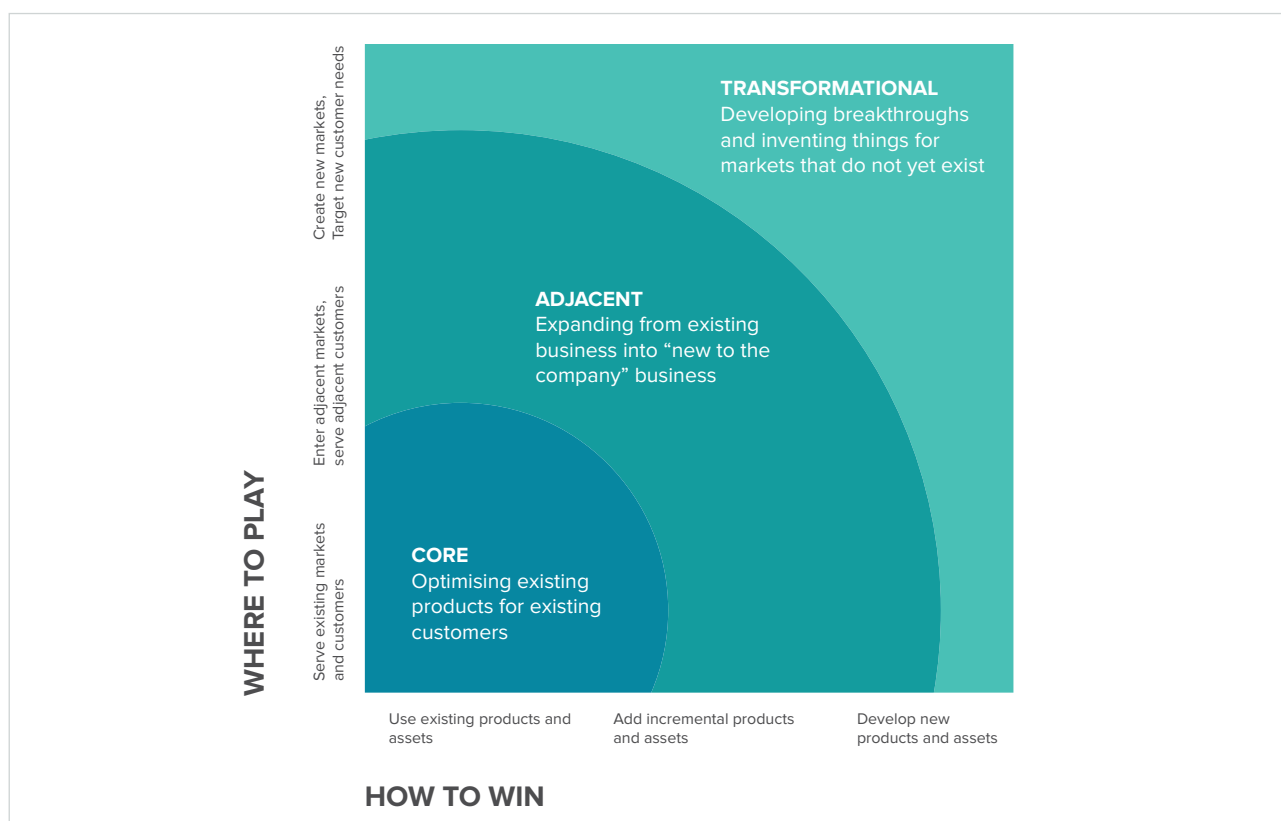
Beyond the Corporate Garage, the entire organisation can achieve increased brand value and attractiveness—from both customers and potential employees—via a motivational and aspirational MTP. Additionally, an MTP can create followership from a community [1] that is interested in, inspired by, and/or involved in the problem your Corporate Garage is trying to solve. This can be especially powerful in the Corporate Garage when engaging with the crowd to ideate and develop new ideas. However, a note of caution may be appropriate at this point. Be wary of the temptation to define an MTP and then lay it aside. **An MTP is only effective if it truly shapes the core of what the Garage is about—its mission, strategy, and people policies.** It can be incredibly influential, but only if there is complete buy-in from people across the business that this is the right thing to do.

Innovation Ambition

We think the Innovation Ambition of a company is the most important dimension of a Disruption Thesis. After all, it is what defines the depth and “newness” of the expected results coming from the innovation effort. The Corporate Garage may have quantitative financial ambitions (e.g. do you want to double the size of the business? Create a new business line?), but not every ambition has to be expressed in numbers. Improving operational excellence, developing employee capabilities, improving brand perception, catalysing cultural change, and affecting social or environmental change can factor in as well. Setting an ambition for the Garage will not only focus the opportunities it pursues but also help you assess the effectiveness of the Garage’s performance. **The Innovation Ambition will assist in selecting which ideas to move forward and then guide them within the Corporate Garage.**

A useful tool for setting the ambition is the **Innovation Ambition Matrix**. It facilitates critical thinking about fund allocation between growth initiatives. Core innovation initiatives are incremental change efforts with regard to existing products and incremental inroads into new markets. Adjacent innovations share characteristics with both core and transformational innovations by leveraging something the company does well into a new space. Transformational initiatives are designed to create new offers—if not whole new businesses—to serve new markets and customer needs. **These are the innovations that, when successful, will make headlines.**

The Innovation Ambition Matrix Facilitates Critical Thinking about the Depth of Innovation



Time Horizon

Closely connected to the Innovation Ambition matrix is the selection of a time horizon. When are you looking to create growth? The time horizon defines the urgency with which the Corporate Garage is expected to deliver results. Stakeholders often have very different expectations and only somewhat realistic requirements for the payoff. **Therefore, aligning management with regard to the expected time horizon is crucial. As we mentioned earlier, we see a Triple Growth Perspective as hugely beneficial—and in many cases necessary—in today’s environment of accelerated change.** However, it is often beneficial to consider a certain weighting of the different time horizons to help with assigning resources and determining your Disruption Portfolio.

“

The established organisation of ISS is strong at creating core and adjacent innovation, so to clearly differentiate we decided to allocate the majority of our resources to develop transformational innovation in the ISS Corporate Garage.

”

ULLA RIBER

Head of Corporate Garage, ISS

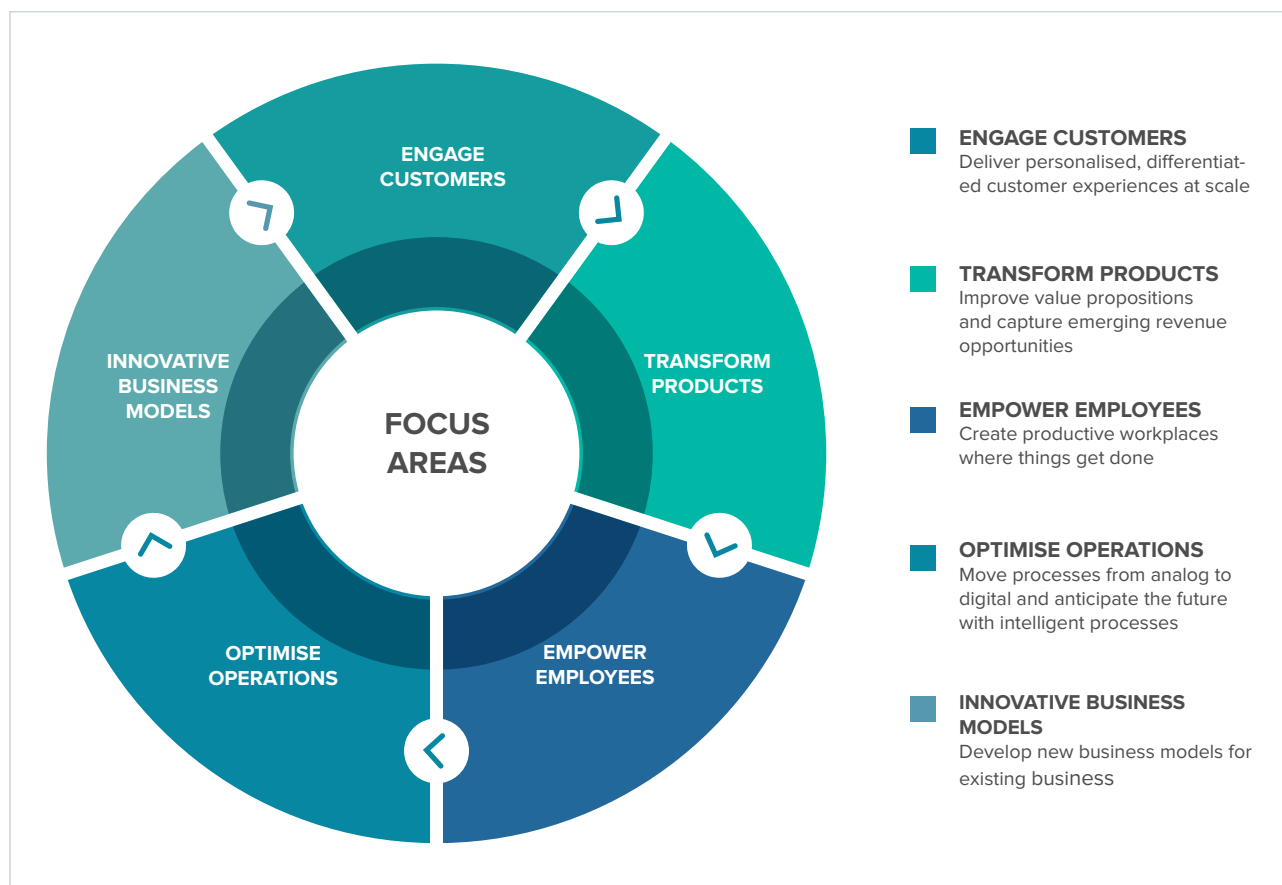
Disruption Portfolio

Within each Corporate Garage, companies are likely to find multiple initiatives being run at the same time, following a variety of ideas, technologies, and trends within the sphere of the overall Disruption Strategy. The solution to the key problems in your MTP may not always lie where you initially expect to find them. Indeed, **the best Disruption Strategies are relatively open and focus on trends, customers, arising ecosystems, and maturing technologies that enable new opportunities and highlight new services or product categories for more thorough exploration.** It is then the job of the Corporate Garage itself to better understand customer needs, generate insights, and develop solutions based on these learnings. Setting a narrow focus at the outset can limit the kinds of opportunities your teams are able to develop. We call these initiatives Garage Initiatives, which we manage in a Disruption Portfolio by balancing focus areas and time horizons.

Garage Initiatives

A Disruption Portfolio may encompass Garage Initiatives set around different focus areas (like transforming products or developing innovative business models). The Corporate Garage will need to determine priorities and allocate resources to these focus areas to deliver results. Focus areas can take a number of forms and normally combine several elements. Common ones include:

Focus Areas are Useful for Defining Portfolio Composition



Moreover, there are some significant external and internal influencers that must be considered when deciding which Garage Initiatives to follow. These factors can have a powerful influence on the ability and need to focus on certain areas, within a specific Innovation Ambition, in a given time horizon.

- **Market, product, or technology maturity.** Consider in alignment with your Innovation Ambition and time horizon. The maturity of the market, product, or technology will often influence the focus area of your Garage Initiatives.
- **Potential disruptors.** Using the results of your Disruption Scan will help identify which Garage Initiatives to prioritise to either take advantage of opportunities or protect against new disruptors entering the market space.
- **Emerging technologies.** Leveraging new technology is critical in creating growth and is often used as a defining element to identify focus areas. However, it is important to remember that technologies themselves are not the growth opportunities—rather they enable solutions or business models in previously unknown or impossible ways.
- **Internal factors.** Internal factors such as capabilities, resources, and commitment need to support the Garage Initiatives that are being pursued. However, sometimes when a Garage Initiative is highly attractive but not supported by current internal factors, the company may attempt to add those resources into the Corporate Garage.
- **Megatrends and the influence of the hyper-connected world.** Garage Initiatives should always be considered in light of the latest developments in megatrends and their impact on our hyper-connected world.

Creating User-Driven Digital Solutions at BaneDanmark

BaneDanmark is responsible for the infrastructure, traffic control and maintenance of most of the Danish railway network.

Over multiple years, BaneDanmark has implemented several large system amelioration projects to follow new legislative requirements and make use of new technology. Due to the highly regulated environment and strong requirements for railway safety, thorough documentation of work processes is required. As a result, in some cases, employees experience time-consuming procedures and even examples of duplicate internal processes, leading to frustration and wasted time.

As part of the strategy to move BaneDanmark into the digital realm, an innovation and user-centric entity was established in a “Garage-style” setting, with the ambition to optimize existing processes, make better use of digital technology and secure better user experiences for employees.

When defining the Innovation Thesis, the first focus of the Garage was to identify employee needs and problems in order to improve ways of working through leveraging new technologies. The second focus was to establish a platform where employees can voice their frustrations and be part of co-creating the solutions.

After only six months, the Garage was able to develop solutions to two primary challenges, one of which was implemented immediately creating pride internally about the speed from idea to execution. Both solutions replaced manual workflows with new user-focused, simplified and digital solutions, one implemented and the other as a Prototype functioning as a target for later implementation. Additionally, the Garage succeeded in breaking down internal silos through collaborative workshops and created a narrative of an organisation which is able to take action on employees’ experienced frustrations.

Key Takeaways from Strategy

01

The Disruption Strategy sets a clear line of sight between the ambitions of the Corporate Garage and those of the parent organisation. It provides a direction for the Disruption Portfolio by balancing initiatives between core, adjacent, and transformational focus areas.

02

The Disruption Thesis ensures your practical innovation efforts align with the overall objectives of your organisation.

03

The best Disruption Strategies are relatively open and focus on trends, customers, arising ecosystems, and maturing technologies that enable new opportunities, services, or product categories.

PART II - STRATEGISE

Chapter 3: Commitment

Chapter 4: Strategy

Chapter 5: Structure

5

CHAPTER FIVE

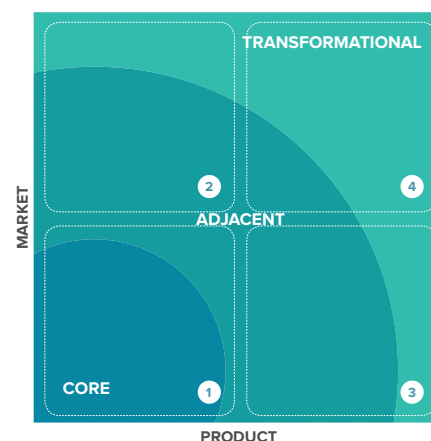
Structure

Defining Disruption Structure

Leadership commitment and strategic direction for your innovation efforts are critical first steps, but it is also important to spend some time setting up how the Corporate Garage will actually function alongside your organisation. As with all aspects of innovation, there is no “one-size-fits-all” solution to designing the Corporate Garage Disruption Structure (sometimes called the Operating Model). We have assisted in setting up small, agile, Garages of only two or three people, but we have also developed much larger structures where several innovation initiatives and Garages are driven in parallel, each serving different Disruption Theses. We have gathered a set of best practice guidelines to get you going and ensure alignment with the Innovation Ambition created as part of the Disruption Strategy.

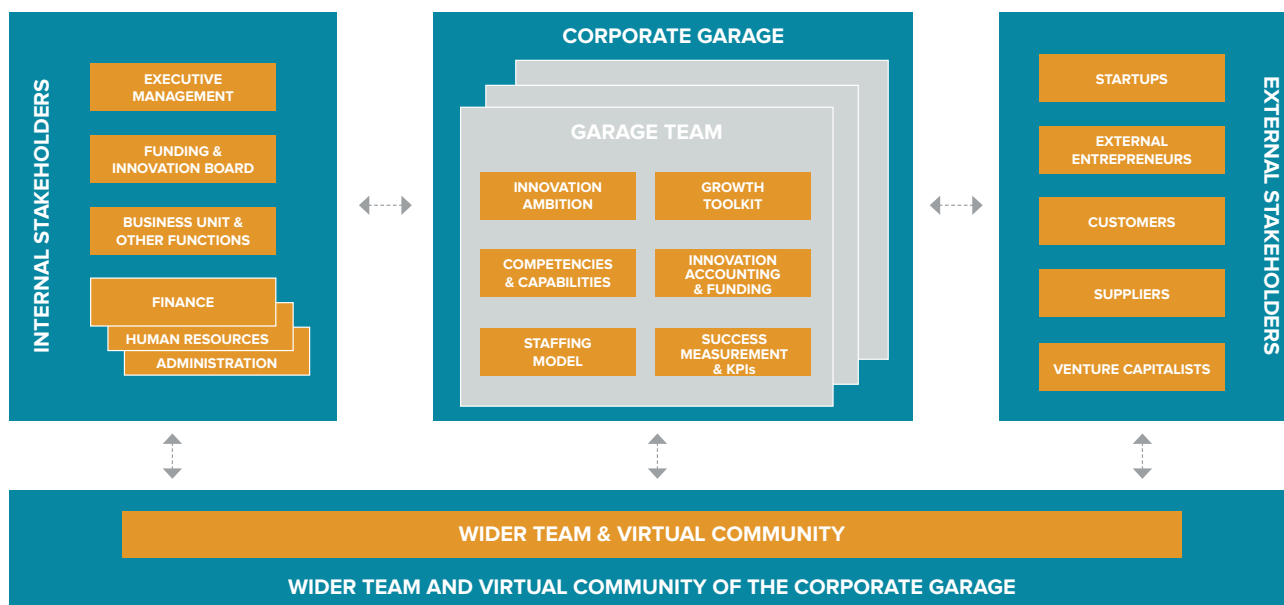
	1 CORE CONTINUOUS IMPROVEMENTS	2 ADJACENT SHAPING NEW MARKETS	3 ADJACENT SHAPING NEW SERVICES	4 TRANSFORMATIONAL MOONSHOTS
	Use existing products and assets to serve existing markets and customers	Add incremental products to enter adjacent markets and serve adjacent customers	Develop new products to serve existing or adjacent customers	Create new markets outside traditional boundaries
Purpose	<ul style="list-style-type: none"> Incremental change and improvements to existing products 	<ul style="list-style-type: none"> Inspire, drive and facilitate innovation across the parent organisation Align project teams to deliver innovative impact 	<ul style="list-style-type: none"> Predict changing customer needs and test new technologies 	<ul style="list-style-type: none"> Develop product and services that have never been seen, or create new markets
Prerequisites	<ul style="list-style-type: none"> Close cooperation with parent organisation and relevant business units 	<ul style="list-style-type: none"> Close alignment with parents organisation and ecosystem 	<ul style="list-style-type: none"> Close alignment with parents organisation and ecosystem 	<ul style="list-style-type: none"> Independent of parent organisation
Business Focus & Disruption Strategy	<ul style="list-style-type: none"> Within core business Known market impact 	<ul style="list-style-type: none"> Fast follower Periphery of core business Expected market impact 	<ul style="list-style-type: none"> Fast follower Periphery of core business Expected market impact 	<ul style="list-style-type: none"> “Moon shots” outside core business Unknown market impact
Management	<ul style="list-style-type: none"> Steering committee / P&L responsible 	<ul style="list-style-type: none"> Steering committee / P&L responsible 	<ul style="list-style-type: none"> Steering committee / P&L responsible 	<ul style="list-style-type: none"> Autonomous
Organisation	<ul style="list-style-type: none"> Mixed teams and allocation of internal and external resources staffed to specific projects 	<ul style="list-style-type: none"> Facilitate innovation across the organisation, with a significant share of internal resources and local market expertise 	<ul style="list-style-type: none"> Small central team staffing external experts and partners, leveraging the parent’s user insight expertise and knowledge 	<ul style="list-style-type: none"> Independent unit with its own resources, processes and deliverables
Competencies	<ul style="list-style-type: none"> Project management Cross-functional cooperation 	<ul style="list-style-type: none"> Drive innovative mindset Collect inputs and validate according to chosen parameters and technologies Incubate ideas and develops prototypes together with specialists 	<ul style="list-style-type: none"> Drive innovative mindset Collect inputs and validate according to chosen parameters and technologies Incubate ideas and develops prototypes together with specialists 	<ul style="list-style-type: none"> Chief Digital Officer Independent business development Autonomous analysis team Separate agile teams (concept, UX, design, development etc.)
Funding (Financial Model)	<ul style="list-style-type: none"> Projects funded through operating and R&D budget 	<ul style="list-style-type: none"> Operating budget through parent organisation Funding on the basis of business cases 	<ul style="list-style-type: none"> Separate operating budget Investment fund 	<ul style="list-style-type: none"> Separate and autonomous budget

Chosen Focus of Innovation Ambition Matrix Guides the Disruption Structure of the Corporate Garage



Key Elements of the Disruption Structure

The Corporate Garage Disruption Structure is a visual representation and blueprint of the key processes, organisation, and ecosystem delivering accelerated growth. We have developed this framework through our client work, and it outlines the key aspects of how an innovation unit works.



Internal Stakeholders

Managing and engaging with stakeholders is a pivotal part of leading the Corporate Garage. In order to ensure the best conditions for the Corporate Garage in terms of resources, talent, and potential scaling of any future solution, it is vital that the ways of working between the Corporate Garage and the parent company have been well defined. We have worked with several structures and governance models in the past to identify effective working conditions for the Garage. In our experience, two key themes normally need to be addressed:

- **Aligning the innovation agenda and priorities** - How should the Corporate Garage and parent company ensure that there is no duplication of innovation efforts? How can they ensure that resources and know-how are optimally leveraged across both entities? How should the Garage leader and any Executive Sponsors establish rules for ongoing dialogue to ensure effective sharing of ideas?
- How should **the Corporate Garage be funded** and how can the funding be governed?

Aligning the innovation agenda and priorities is often facilitated by establishing an **Innovation Board that acts as a sponsor and sparring partner** for the Corporate Garage. Having an effective Innovation Board often helps leadership to ensure necessary alignment, understanding of strategic focus and healthy collaboration between the parent company and the Garage. The Innovation Board usually consists of executives and in some cases external resources to provide an additional outside-in view. The Board provides guidance on Disruption Strategy, the structuring of the Disruption Portfolio (deciding on Garage Initiatives), and major commercial decisions for the Corporate Garage. In our experience, it is pivotal that the Corporate Garage retains a high level of autonomy, and therefore has a significant level of freedom within the boundaries of the Disruption Strategy. The Innovation Board should act as an advisory board where the Garage has the full ownership for decision-making, as long as they are within the overall boundaries set for the Corporate Garage in the first place.

Deciding on the funding of the Corporate Garage is an important step of internal stakeholder management, as it facilitates expectations management. **There is no one size fits all solution, but funding should be aligned to the Disruption Strategy and related development areas.** As an external entity the Corporate Garage should have a level of reporting towards the parent company. However, due to the ubiquitous uncertainty of the Garage, traditional annual budgeting processes may not be applicable. Instead, we have seen examples of Corporate Garages being funded more in venture-style investment cycles, following clearly defined milestones. An example could be to treat the funding process as a series of conditional steps around the development of a certain technology, business model, or a Preto/Prototype passing Viable or Desirable tests.

Each Garage Initiative should pitch its business idea and perspectives and receive funding accordingly. To some extent, we have seen successful setups like a professional corporate setting of the U.S. show “Shark Tank” or the Danish show “Løvens Hule”. In these pitching situations, where the Funding Board takes go/no-go decisions, it is critical to have thorough competitive situations. **This allows the board to make incremental investments according to the degree to which new initiatives follow the principles of Desirability, Viability, and Feasibility.**

The Corporate Garage Team

The Corporate Garage team is responsible for creating and executing new growth opportunities. It also drives the phases in the “Growth Toolkit” (Crowd Ideate, Validate & Build). This must be a dedicated team that also manages day-to-day execution of the staffing model. In Part IV, we will outline how the talents lead this team.

In order to be set up for success, it is important to anchor and agree on the governance of the Corporate Garage. The following key questions should be agreed upon:

- ▶ What is the **Disruption Strategy**?
- ▶ What **competencies** are needed and how will **staffing** be continuously managed?
- ▶ How should the **innovation process** (the Growth Toolkit) run?
- ▶ How will you **measure success**, take investment decisions, and monitor the impact of the innovation efforts?

Here are key topics that must be aligned based on our experience:

Garage Staffing

As we will discuss in Part IV, talent is the key to success. We often suggest investing in a fixed team of immensely talented employees with innovation capabilities and experience.

Garage Roles

The combination of relevant fixed and on-demand competencies will drive experimentation and facilitate Rapid Market Validation. We will describe these competencies more in detail in Chapter 9, but typically, fixed competencies needed in the Garage include the following:

- ✓ Head of Garage
- ✓ Project owner
- ✓ Community manager (responsible for the crowd)
- ✓ Workshop facilitator (can be done by someone in another role)
- ✓ UX and UI designer
- ✓ Front-end and back-end developers

Other relevant capabilities:

- ✓ Copywriter
- ✓ Legal advisor
- ✓ Domain expert
- ✓ Funding manager
- ✓ Commercial manager
- ✓ Product or concept owner
- ✓ Pretotype facilitator

Growth Toolkit & Innovation Process

The Growth Toolkit and how it is operationalised is described in Part III, which also details each phase of the Innovation Process. Setting up and deciding on the process requires a set of design decisions to be taken. The goal is to find a process that allows the methods outlined in the Growth Toolkit to work in alignment with the rest of the organisation.

The Growth Toolkit and Innovation Process we suggest in this book are based on an open innovation model. **The crowd is used extensively in all aspects of the process—from creating user insight and sourcing ideas and solution designs to thorough focus on rapid market validation through Pretotyping.** Finally, in building minimum viable products (MVPs), we also encourage leveraging the crowd for sourcing full or partial solutions. We fully understand that not all Garages are, or will be, set up this way. We also understand why some companies are hesitant to embrace such an open approach. We propose the approach of using the crowd in all phases of the innovation process because a digital platform, unlike traditional marketing research methods, enables fast and cost-effective generation of insights and real market validation.

The scope of the Corporate Garage Approach is usually set to run for approximately 100 days. Begin by identifying user needs and problems, and end at the building of the first MVP of the chosen concept within this period. It is important to emphasise that the structure of this approach can vary depending on the Disruption Strategy and Scope. The importance lies not so much on defining the exact process but rather in shedding light on the key elements and methods that can enhance the competitiveness of businesses.

Garage Accounting & Funding

Garage funding is decided by the Innovation and Funding Board as described above. The Garage Team is responsible for the ongoing day-to-day management, supported by the parent organisation's finance department. Driving a successful innovation ecosystem does not work when it must rely exclusively on traditional assessment and accounting methods. **Investment decisions about new ideas are usually best made using a combination of strategic goals, a Disruption Thesis, and balanced portfolio goals.**

Innovation accounting can then be used to manage the development of new products/services and business models. **Innovation accounting** is about managing three key activities:



Investment decisions:

Making investment decisions about different products/services at different points in their innovation journey and ensuring that you are investing appropriate amounts in appropriate ways at appropriate stages



Measuring success:

Tracking and measuring the success of specific innovation projects to support for your management decisions about whether (or not) to keep investing in certain innovative measures over others



Impact assessment:

Assessing the impact that your innovation projects are having on the business as a whole to determine whether the company is meeting its innovation goals and portfolio targets

KPIs

Delivering on the above can be achieved by combining KPIs and targets. Below is a sample list to help you get started, but the optimal KPIs for your Garage are best determined by your Disruption Strategy and the specific projects you want to pursue:

- | | |
|---|--|
| ✓ New opportunities or needs identified | ✓ Number of projects scaled |
| ✓ Ideas tested with users | ✓ Revenue generated |
| ✓ Ideas killed | ✓ Number of new products taken to market |
| ✓ Speed of idea to user test | ✓ Number of projects supported across the business |
| ✓ Cost of idea to user test | |

External Stakeholders

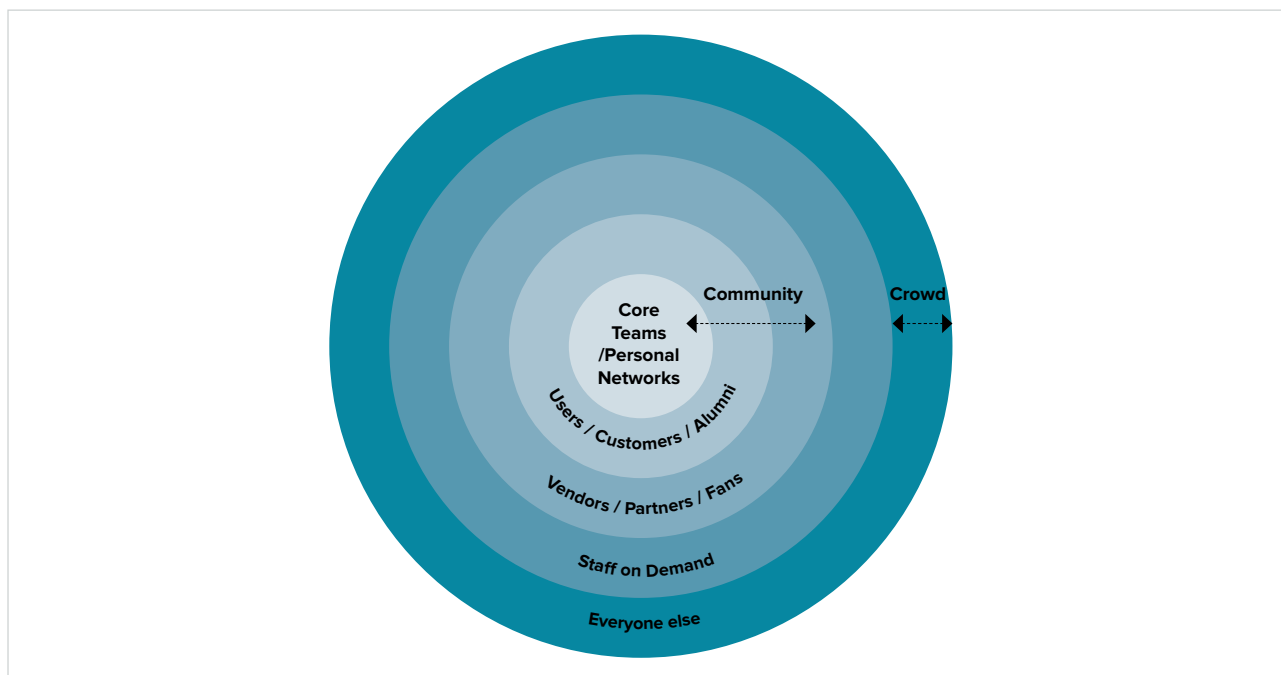
External stakeholders such as end-users, customers, institutions, and suppliers often possess valuable and diverse insights that corporations can turn into innovative solutions. Different stakeholders behave differently and therefore, engage with the corporate in a variety of settings and contexts. **It is important to establish a platform for stakeholders to engage with the corporate in order to facilitate constructive dialog on new ideas and to receive feedback on potential solutions.** For example, you can create an innovation challenge in which universities compete for funding and expert support. Engaged customers can potentially lead to more sales. Other stakeholder groups can help the corporate see “blind spots”, while suggesting potential solutions to resolve such issues in an effective way.

Crowd & Community

The crowd allows companies to harness creativity and crowd intelligence from an external audience to source ideas at scale. Meanwhile, a community has mutual experiences that enable them to share a sense of belonging and motivation to contribute relevant ideas.

The wider team and the virtual community are important factors in accelerating the speed and reach of the Garage. By leveraging the creativity and abundance of talents of these groups, the Garage can get much more work done. Key actions for the community are creating ideas, supporting solution design and validating of concepts. **Digital crowdsourcing platforms have become cost-effective sources of diverse talent that can collaborate online via decentralised approaches, which allows participants to self-organise and experiment.** In Chapter 6, we detail the approach to engaging the crowd in challenges to contribute to ideation and solutions design. As part of the Disruption Structure and Growth Toolkit setup, it is important to anchor this open innovation method with management: create access to and decide on platforms to use and how to engage with them.

Crowd & Community



Interfaces between Structural Elements

The final element of the Disruption Structure is ensuring appropriate anchoring. The Head of the Corporate Garage should preferably report directly to the CEO. This emphasises that innovation remains a critical aspect of the company's corporate agenda and facilitates quicker decision-making. Sharing resources and domain experts from the parent organisation can be tricky in terms of engaging people and freeing up the right capabilities at the right time, possibly resulting in unstable teams, slowed processes, and subpar results. **In our experience, the best approach is to book needed resources for 100 days and integrate them into the Garage team.** This ensures full commitment to the Garage and enough time to go from idea to concept.

We often refer to the Corporate Garage as an “**innovation gym**”, which employees, clients, start-ups, etc., can visit and participate in sprints to create growth through innovation. These short visits complement the permanent Corporate Garage team by introducing new perspectives and capabilities into the Garage. Over time and with consistent effort, this inclusive way of working not only tears down silos within the parent organisation but also opens the opportunity to alter an organisation's legacy mindset around innovation and create a vibrant innovation culture. Successful companies recognise that to bring new solutions to market rapidly and cost effectively, partnering with others that already possess crucial technology or capabilities often beats developing everything in-house.

LEO Innovation Lab

LEO Pharma is an independent, research-based pharmaceutical company that develops, manufactures and markets pharmaceutical drugs to dermatologic and thrombotic patients in more than 100 countries globally. The company was founded in Denmark in 1908 and now employs more than 5,000 employees worldwide.

LEO Innovation Lab was built to drive radical innovation within the organisation and to accelerate the development of new solutions to market. The Lab does not develop medical treatments but builds digital solutions that address the challenges faced by modern psoriasis patients.

Kristian Hart-Hansen, the Head of LEO Innovation Lab, explains his approach to staffing the Lab: “When developing digital rather than pharmaceutical solutions, we need new profiles that we traditionally would not look for in the pharma industry. We aim to attract bright people from the start-up environment that might be interested in the network and experience offered by LEO Innovation Lab. We are fine with them staying 12 to 18 months and then launching their own company. What we are looking for is the injection of knowledge and fresh perspectives.”

DSB Digital Lab

DSB is an independent public corporation owned by the Danish Ministry of Transport. DSB owns and runs trains throughout Denmark and offers journeys to their +195 million passengers every year. DSB Digital Labs was founded in 2016 to accelerate digital transformation within DSB. The Lab is run by Clarissa Leon, who is responsible for developing new solutions that can benefit either the customer or DSB as an organisation.

Clarissa explains: “The focus of the DSB Digital Lab is on incremental innovation in order to build a bridge to DSB and create trust and confidence in the Lab by offering faster deliveries and showcasing value. In the long-term, the ambition is to move towards radical innovation.”

The Digital Lab is placed outside the parent organisation and has its own end-to-end accountability for digital solutions. The Lab is staffed with 12 employees with competencies including an anthropologist, UX designer, front-end designer, back-end designer, front-end developers, and product owners. The product owners are especially central to the team, as they act as the link to the parent organisation.

The Digital Lab can in theory act autonomously, without any interaction with DSB; however, in practice, the Lab collaborates closely with DSB. Staff from DSB can hand in problems for the Lab to solve through collaboration. The satisfaction of the partnership and the end-results are measured through surveys and then used as KPIs for the lab. Other KPIs include:

- Time to market (development time)
- Time to insights (experiment phase)
- Number of rotations in the lab per year

DSB Digital Lab is funded by DSB.

HedeDanmark GreenLab

HedeDanmark is Denmark's largest and leading service and trading company within outdoor facility services, enterprise, and forest. In 2017, HedeDanmark established HD GreenLab, commonly referred to as "The Garage", to accelerate ideas and push HedeDanmark to leverage new technologies.

The Garage is run by Kristian Tarp Hansen and is located in a co-creation workspace with startups and smaller entrepreneurial companies. As a result of the physical placement, the Garage has close relationships in the startup world and works with entrepreneurs and students to solve some of the parent organisation's challenges. In its short tenure, the Garage has managed to recruit top talent to HedeDanmark and has introduced several new profitable business solutions to market.

Besides focusing on developing new offerings, the Garage functions as a competency academy, where employees from all levels of the organisation are taught innovative ways-of-working and a "fail fast, learn fast" mindset. During these sessions, the employees are given the opportunity to raise challenges or offer ideas for the Garage to work with.

GreenLab is funded by HedeDanmark.

Key Takeaways from Structure

01

The Garage should employ a diverse team with a range of seniority and backgrounds, creative thinkers and risk-takers.

02

The disruption structure should govern the Garage and assign metrics to measure success and drive accountability for delivery.

03

Ambidextrous leadership ensures the Garage is both a hub for innovation as well as a gym for developing "people" capabilities to innovate.

EXECUTE

The Corporate Garage is empowered by a Growth Toolkit, which provides a collaborative and structured process to accelerate growth initiatives. The Toolkit is strongly anchored in Crowd Ideation and Rapid Market Validation to ensure that the development of new growth solutions takes advantage of knowledge beyond the Garage's walls and brings solutions to market at an accelerated pace. The Corporate Garage is strongly defined by these unconventional ways of working. The Growth Toolkit covers three elements that are understood as sequential but iterative:

Chapter 6 outlines how to leverage external expertise to source opportunities (Crowd Ideate).

Chapter 7 establishes whether ideas will really work in actual commercial settings (Validate).

Chapter 8 ensures validated ideas are given the support they need to iterate and scale (Build).

The purpose of Part III is to answer the question of **how to execute?** **Crowd Ideation** is leveraged as an impactful decentralised innovation practice, which is then followed by rigorous experimentation through **Pretotyping** in order to learn and determine business potential. Finally, in Build, we discuss best practices for creating a **Minimum Viable Product** and how best to organise solutions as they gain traction and leave the Corporate Garage.

Key Concepts: Growth Toolkit, Crowd Ideation, Validation, Building, Pretotyping, Minimum Viable Product, Fake Door, Mechanical Turk, Crowdfunding

PART III - EXECUTE

Chapter 6: Crowd Ideation

Chapter 7: Validation

Chapter 8: Build

6

CHAPTER SIX

Crowd Ideation

Decentralised Collaborative Innovation

Innovation has traditionally been carried out in research labs and centres where scientists and researchers were centralised, experimenting and producing novel products or offerings. In the 1990s, this concept expanded to include some level of location-based collaboration between R&D departments of separate companies. These first steps towards shared innovation efforts helped companies gain specific expertise from partners, but overall efforts were still centralised and often cost companies in terms of product ownership. However, today, with the acceleration of technology and communication, companies can embrace a more decentralised approach to source diverse talent and collaborate online in a cost-effective manner. These digital platforms allow participants to self-organise and experiment together while demanding limited commitment. **Decentralised collaboration enables multiple parties to assemble quickly and collaborate to build on existing or completely new ideas.** In our experience, decentralised collaboration is critical for ideation. In fact, it is critical on multiple levels in order to fill capability voids, engage with customers, and encourage cross-pollination of ideas. Where larger organisations often struggle to innovate from within, collaboration can be a mechanism to circumvent the challenges of innovating.

Nivea: The Crowd Surfaces User Needs

Beiersdorf's strongest brand, Nivea, sought to craft an innovative and useful product that extends from their current deodorant and antiperspirant line. Instead of developing the product in-house, Nivea decided to involve consumers in their ideation process. Nivea partnered with Core & Company's Munich-based partner, Hyve, to deeply understand user needs, learn about pain points, and develop a strategy for crowdsourcing product development.

Nivea started by reviewing more than 200 social media sites to learn about consumer pain points, concerns, habits, perspectives, usage cases, and experiences. The next action was to engage and encourage bloggers to brainstorm ideas and potential solutions. After opening up to the crowd, Nivea understood that consumers wanted a product that both cared for the skin and prevented clothing stains.

The combination of analysis, feedback, and co-creation helped Nivea not only to create a desirable product but also shape the launch process by partnering with popular online retailer ASOS to launch the new Invisible Black & White deodorant line. The marketing campaign created enough buzz on social media to win five awards for establishing authentic relationships between the brand and the customers.

We advocate a collaborative and inclusive ideation method in the Corporate Garage Approach. However, we find that many existing collaborative methods have fairly time-consuming phases for insight gathering and ideation. These slower ways of driving business development worked when the world was running at a slower pace and did not have the today's ubiquitous connectivity. **In other words, we argue that many existing collaborative methods are too slow.** The innovation tempo required to keep pace with the hyper-connected world in which we are living vastly outruns solutions that merely use digital platforms to overcome challenges related to geographical distance. **In our point of view, modern businesses need to expand the breadth and depth of their knowledge by relying on the 10× Imperative.** In the Corporate Garage, we execute on this by generating ideas with the crowd.

GoPro: The Crowd Surfaces User Needs

A great example of the importance of opening up your ideation process to involve your users is the case of GoPro vs. Sony in the action camera market.

GoPro was founded in 2002, offering the first “action camera” that could be mounted to your bike, your helmet, or even to your dog. GoPro experienced five years of 90% annual sales growth, and in 2015, they persisted, selling 50% more video cameras than Sony on a per unit basis. In response, Sony decided to develop a technically better action camera and focused on stabilisation, pixels and noise reduction—all features that the GoPro camera already had.

Although Sony’s development effort was successful and gained praise in the technical press, GoPro retained and even grew its market lead by selling seven times more action cameras than Sony. How could this be? Well, Sony forgot to ask the users what they wanted. The Sony action camera was superior in technical terms, but it struggled in terms of the holistic user experience. GoPro’s services surrounding the filming experience, such as sharing, editing, and storing content were much more user friendly and thus created more value for users than Sony’s technical upgrades. GoPro’s business model allows for a close relationship with their users and provides an end-to-end solution for video footage management. They provide desktop software and an app that allow users to edit their video content, share it with friends and peers, and win prizes.

This GoPro community generates extensive value for users and helps GoPro to deepen their understanding of customer behaviour. In particular, the video, picture, and campaign competitions that GoPro has run in its community have helped generate new ideas for use cases and products originating with the crowd. From a disruption standpoint, it will be interesting to follow how users determine winners in the marketplace. By being attentive to its customers, GoPro has managed to transform a product/service feature into a potential source of ideas from the crowd.

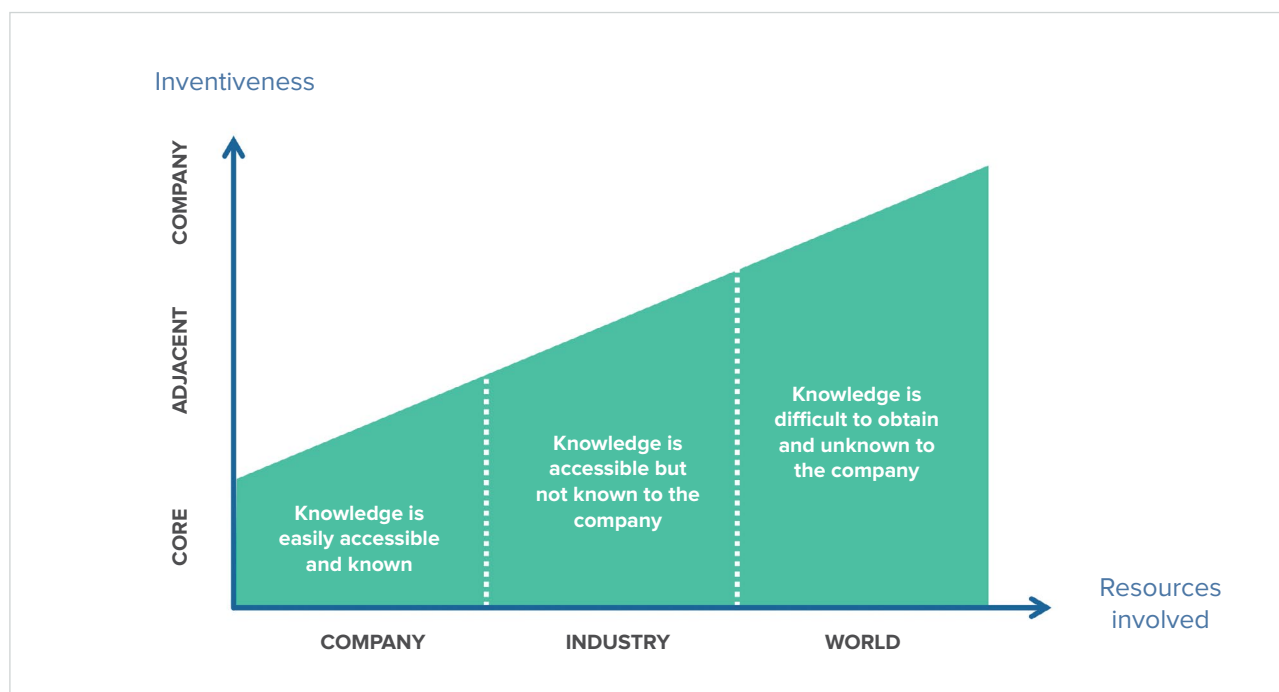
Leveraging the Crowd

There are fundamental differences between crowd-powered problem solving and traditional organisational models. Companies are relatively well-coordinated environments for amassing and marshalling specialised knowledge to address problems and innovation opportunities. In contrast, a well-functioning crowd is loose and decentralised. It exposes a problem for widely diverse individuals with varied skills, experience and perspectives. **A crowd can operate at a scale that exceeds that of the biggest and most complex global corporation, bringing in many more individuals to focus on a given challenge.** By tapping into the abundance of knowledge in the crowd, organisations can account for the profound assertion of Joy’s Law: no matter the enterprise for which you work, the smartest people in your field work for someone else.

Our fascination with the concept of crowds started back in 2004, as it did for many who read James Surowiecki’s book *The Wisdom of Crowds*. The idea that the collective wisdom of a large group can prove superior to the expertise of individuals is powerful. **In recent years, several studies have shown evidence that the crowd is able to solve around 30% of the challenges that companies are unable to solve for themselves⁸.** Yet, crowd-sourcing is the least used of all ideation practices, and few organisations have truly incorporated the crowd as part of their ideation process.

⁸ How Organizations Manage Crowds (2018) Lars Bo Jeppesen, et.al.

Creating New-to-the-World Innovation Through the Crowd



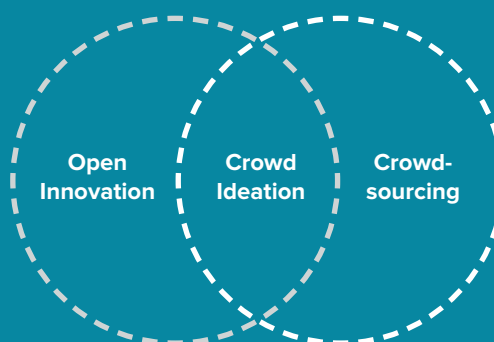
WHAT IS CROWD IDEATION?

Within crowd terminology, there are several ways to work with external parties. An array of definitions for the different terminologies exist, but here is how we define some of them.

Open innovation creates an environment in which individuals and organisations can actively get involved in the creation of mutually beneficial solutions. Through open innovation, decision-making is becoming a truly democratic process that allows for a bold, wide approach to problem-solving. Open innovation is typically a long-term and resource-heavy strategy in which companies interact with broader groups of stakeholders and build collaborative community engagement around a specific issue.

Crowdsourcing occurs when an organisation outsources a project to the public. Compared to open innovation, crowdsourcing requires a low level of engagement and involvement because the organisation sets the challenge to be solved and merely asks for opinions, suggestions and insights.

Crowd ideation or crowdsourced ideation lies between the previous two concepts. It requires a stronger involvement from stakeholders, who are more deeply included in the value-creation process than in crowdsourcing, but it shares its 'to the point' approach of solving a predefined challenge. By investing in the crowd, you are more likely to attract the right crowd and get the best results. Further, by having an engaging Massive Transformative Purpose for the Corporate Garage, you accelerate the democratisation of the innovation process.



“

*The new leaders in innovation
will be those who figure out the
best way to leverage a network of
outsiders.*

”

PISANO & VERGANTI

Harvard Business School

Setting Up a Crowd Contest

The most straightforward way to engage a crowd is to create a contest. We find that contests are the most useful approach to solving problems in the Corporate Garage as they tackle problems that benefit from experimentation and creativity. **Contests are able to crack some of the toughest challenges, including how NASA should collect and route human waste away from the body while wearing a spacesuit in microgravity for up to six days (also known as the Space Poop Challenge).** The three winners were employed as a flight surgeon, a biomedical engineer and a product designer, and they were each awarded \$30,000. They formed a single team that was scattered across the world, and would not have worked together under normal circumstances.

To develop a crowd contest, we suggest that you use the DBASM approach:⁹

- D**efine the Challenge
- B**roadcast to the Right Crowd
- A**tttract the Crowd
- S**elect the Winner
- M**anage the Crowd

It is critical to define the initial challenge by setting a problem statement with clear objectives. Then, select the appropriate crowd to engage with and create a communication strategy that reaches that target crowd. Attracting and galvanising the crowd **requires a combination of extrinsic and intrinsic incentives**. Subsequently, providing selection criteria in advance for nominating winners will be beneficial for helping participants to understand how to fulfill the stated objectives for a successful contest. Let's consider each of these steps in greater detail.

Define the Challenge

Before engaging a crowd to help solve problems, put in the preparation to ensure a high-quality outcome. **First, you need to ensure a clear objective for the crowd to solve.** Your Disruption Thesis will guide you in this endeavour, but the opportunities offered by the crowd can still be bewildering. When defining the objective, it is helpful to think across four criteria:

- ▶ **Problem-related vs. solution-related knowledge:** Are you trying to understand an issue more clearly or develop solutions to a known issue?
- ▶ **Broad vs. narrow specificity:** Do you want a specific type of input, or are you open to different perspectives?
- ▶ **Aggregated vs. decomposed tasks:** Are you looking to focus on a specific task or a larger aggregation of smaller tasks?
- ▶ **Theoretical vs. tested submissions:** Are you looking for ideas, or do you want some kind of tested solution?

It is not critical that the problem statement is the 'right' one. Most importantly, the problem statement should be clear and any specifics from the above criteria should be stated. **It helps to be ambitious here**—problems tackled by challenges and contests should be big, game-changing issues that are coupled with your MTP, which will motivate and engage the crowd. If you engage the crowd with an ambitious idea, you will receive ambitious solutions in return¹⁰.

⁹ How Organizations Manage Crowds (2018) Lars Bo Jeppesen, et.al.

¹⁰ To see a real example of a challenge definition we did with SEAS-NVE for reinventing their B2B business model, please refer to our Core Crowd Platform: <https://future-energy-services.hyvecrowd.com/page/about-28>

Broadcast to the Right Crowd

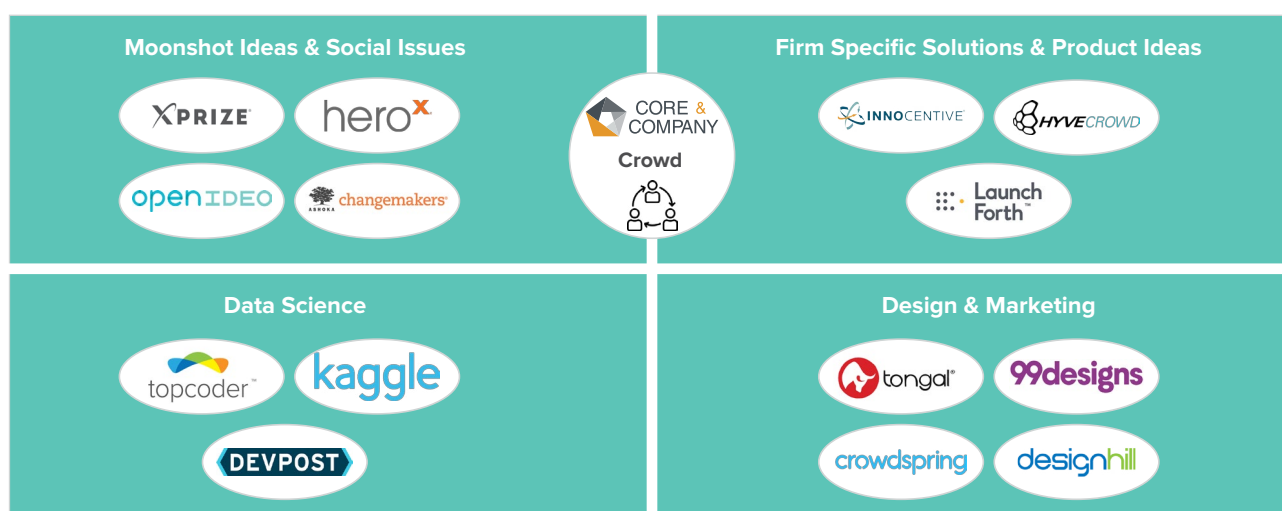
Once the problem is defined, the next step is to identify the right crowd. A crowd can consist of just internal resources, just external resources, or a combination of resources. We have experience working with all three, but we stress that even though internal crowds may increase the scope for exploration and flexibility inside your company, they are qualitatively different from and fall short of the full capability of external crowds. **Before targeting a crowd, it is important to identify the key customer segments, expertise, and types of people needed to solve your problem.** This will ensure that the crowd you engage has a relevant, yet diverse mix of backgrounds and expertise. Identifying the appropriate crowd can be a difficult task. We strongly recommend working with crowd platforms to do so. Some companies, such as LEGO and NASA, have succeeded in attracting large crowds to their own proprietary crowd platforms, but if this is your first endeavour into crowd ideation, working with a trusted partner is firmly advised.

Selecting Crowd Platform

A crowd platform is used to host the online contest and engage participants from among the crowd during the contest. A crowd platform should be chosen based on the overarching theme of the contest. **Each crowd platform will attract slightly different audiences as they focus on certain problem areas.** Large platforms often have a variety of crowds with different areas of expertise that can be engaged together or separately. Platform managers will usually offer their expertise in identifying the right audience for your specific contest. It is often not very transparent or clear what crowd is actually active on the different platforms and how strong the platform's capabilities are for activating current or new users.

Recently, we worked with a large pharmaceutical company to design a crowd innovation contest to generate a series of breakthrough innovations. The company had an engaging MTP and significant interest in trusting the crowd to solve their most difficult problems. We decided to run the contest on HeroX, a large crowd platform with over a million users. **The contest generated great excitement amongst the crowd and attracted 67 teams to submit ideas.** The submitted ideas offered multiple perspectives on the problem and generated a variety of new interest areas for our client. This was amplified by a highly heterogeneous crowd on the HeroX platform, which was ideal for this specific MTP. After the initial round of crowd ideation, we decided to explore some of the submissions and solution areas in greater detail to determine whether running a new contest on a more specialised crowd platform would be beneficial.

Crowd Platforms May Differ Significantly in Focus Areas



Attracting the Crowd

In addition to benefits of scale and diversity, crowds offer incentives that companies find difficult to match. Companies operate on traditional incentives—salary and bonuses—and employees are assigned clearly delineated roles and specific responsibilities, which discourages them from seeking challenges outside the scope of their responsibilities. **But crowds, research shows, are often energised by intrinsic motivations**—such as the desire to learn—that are more likely to come into play when people decide for themselves what problems to tackle.

Attracting a crowd with incentives that appeal to both extrinsic and intrinsic motivators can increase the overall level of participation and improve the resulting ideation. Considerations when setting the incentives include the following:

- ▶ **Financial vs. non-financial:** Will those whose ideas are selected receive monetary compensation or some other form of reward?
- ▶ **Winner-takes-all vs. balanced reward allocation:** Do you want to reward one great idea or multiple ideas?
- ▶ **Organisation vs. crowd-owned IP:** Who will have intellectual property rights to submissions?

INTRINSIC MOTIVATION	EXTRINSIC MOTIVATION
Hedonistic Motivation Fun Reference group Fascination Curiosity Challenge Self-actualisation	Utility Motivation Access to qualitative information Material rewards Expectation of future utility Use of improved products/ services
Social Motivation Altruism Identification with community Friendship Exchange with similar people	Symbolic Motivation Approval and acknowledgment Self-projection Status within community Display of creativity

In our experience, high financial compensation is often highly overrated compared to engaging with an active forum or community and getting key influencers to battle about who provides the best solution, thus activating the motivating factor of recognition by one's peers. Through our collaboration with NASA Tournament Lab¹¹ we have also seen how being recognised as a top performer in a crowd contest can enhance a CV. That is a very motivating factor that can lead to the participation of an abundance of talent in a very fast and cost-effective way.

Select the Winning Contribution

The final step in preparing for the crowd contest is defining the criteria and process for selecting a winner. Being clear on how you will judge, select, and reward submissions is incredibly important; such clarity gives participants a better idea of the kind of input you are looking for. There is no one-size-fits-all method of configuring the selection and reward, but **it is effective to judge submissions on both the potential merit of the idea** (with an understanding of customer needs, commercial potential/viability, feasibility, and strategic fit), **and the overall quality of the submission**. Being clear that submission quality will be part of the assessment criteria encourages participants to complete their proposals to a sufficient level of detail.

¹¹ <https://www.nasa.gov/coeci/ntl>

Encourage Participants to Unfold Proposals

Proposals can range from a couple of sentences to lengthy and detailed presentations. We often get submissions of 6 to 10 pages with detailed descriptions of the concept and the problem-solution fit. **We can frequently attract more than 100 ideas in a single challenge.** We suggest encouraging participants to go the extra mile whenever possible during a live content process. It is also helpful to facilitate cross-fertilisation processes and help participants find relevant solutions from other participants. In some cases, one user has solved half of the problem and another user has solved the other half. In these cases, they can win the prize together.

In our experience, the following three-step selection process, which includes both peer-to-peer and expert evaluations, delivers the best results.



Pre-selection via platform evaluations

Just as the crowd is a great source of solutions, it is also a useful place to begin identifying which solutions are most promising. As ideas come in, posting them publicly and enabling crowd members to vote and comment on them is a critical first step in screening and filtering ideas. For engaged crowd participants, seeing what other people are doing is often as exciting as developing their own ideas. **Encouraging people to comment, ask questions, and vote on the ideas they like both refines ideas and indicates which ideas are generating interest.** Leveraging such peer-to-peer evaluation as the initial filter to identify the top 20 or 30 ideas is a quick and effective way to narrow the solutions to a manageable list.



Expert assessment and expert panels

The crowd excels at identifying new and unbiased solutions which frequently require assessment from a number of different perspectives to evaluate the real commercial potential. Successful innovation rests on new solutions that are not only interesting, novel, and unbiased but also attractive to customers, technically feasible, profitable, and in some way aligned with the overall Corporate Strategy. Assessing solutions across these aspects requires time and input from people with different types of expertise. We normally set up expert panels during this phase. **The expert panel typically consists of internal experts and external people with relevant skill sets.** Panel participants should have a high level of familiarity with their area of expertise, be ready for interaction with the crowd, have a cooperative approach to working with others, and understand the market in which the company operates. They should also understand the problem you are trying to solve and be excited about understanding and evaluating different possible solutions. We suggest including between four and six experts on such a panel.

The selection criteria defined at the outset of the crowd ideation project will come in handy now as you assess the submissions—for example, how well they meet customer needs, their feasibility, and their potential to generate future income. Many companies find it useful to create a scoresheet based on the selection criteria so that each idea can be scored consistently. Individual expert scores can be further aggregated to get an overall picture of how successful the experts feel the ideas could be. Through the expert panel, you will reduce your initial set of ideas to between 5 and 10 high-potential ideas that go forward to the final assessment. **As always with choosing concepts and picking ideas, do not follow the HIPPO (the highest paid person's opinion).**

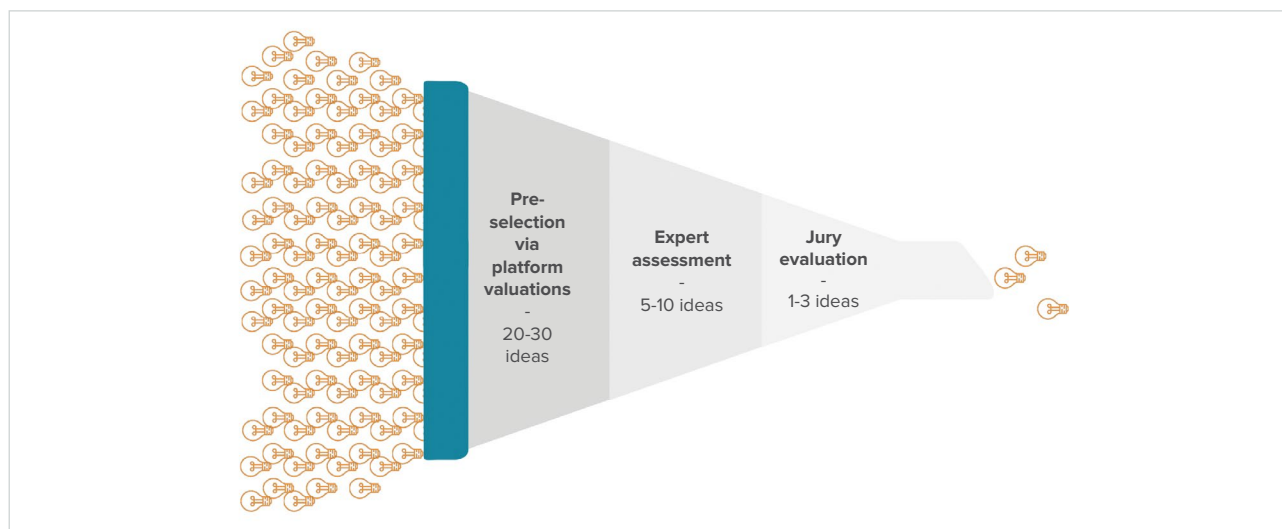


Jury evaluation

The final step in selecting the winning submissions is jury evaluation. Start with the list of 5 to 10 ideas selected by the expert panel and gather the major project stakeholders to decide which ideas warrant testing. The jury typically includes the CEO (or other senior decision-makers, depending on organisation size and scope), the CFO, the project owner, and other senior members of the organisation. As with the expert panel, jury members should have a diverse set of skills and backgrounds. They must be familiar with the subject of the competition and ideally have significant stake in its success. In some cases, having jurors outside of management (e.g. board members, activist shareholders) may be relevant. Often, the selection of a winner is made during a meeting in which, using the expert assessments as a fact base, the jury identifies the 1 to 3 most attractive options for testing.

One note: **It is important not to see this meeting as the “final” stage of the crowd ideation process**, but rather as the identification of which ideas to test or where to start the validation. Some ideas may work, but it is equally possible that none of the ideas will survive the testing phase as-is. The goal of testing is to learn what does and does not work in order to refine solutions. The jury will likely need to be engaged again and again as solutions become more refined, so treating the jury evaluation as part of the learning journey (rather than as the final step) often leads to more successful outcomes.

A Structured Selection Process Helps to Navigate a Rich Pool of Ideas



Once the winners are selected, it is time to announce! Re-engaging the crowd with the results of the competition and discussing the winning submissions is a great way to create excitement around what you are doing and keep the crowd engaged for the validation phase or for future projects. **Remember, cultivating a crowd relationship is more than a one-time thing.** Maintaining a community of engaged crowd members will shorten the process when you encounter future problems for which engaging the crowd can provide useful solutions.

Manage the Crowd

Once the contest is live, it is important to manage the contest and input from the crowd. Depending on the crowd you have selected, hundreds of people may engage with you about the problem or the kinds of solutions you are looking for. **A critical aspect of contest management is continually engaging your crowd in interesting ways to encourage participation and submission.** Only a small percentage of the people you invite to participate will end up submitting a response to the problem, so continuously engaging those you want to participate is critical to success.

Continuous engagement with relevant information and updates is often where crowdsourcing efforts stumble. It takes time and thought to activate the crowd to leverage its full potential, so do not be discouraged if more outreach is required beyond the initial broadcast. It is also important to consider the mechanics of the contest. You have likely defined a time frame for the project, so ensuring the contest runs in the allotted time while yielding the desired results requires management throughout the process. **It is important to allow time for submissions** (depending on the problem, anywhere from two to six weeks is often appropriate), but it is also important to run a well-defined process according to your desired time frame in order to begin assessing and developing high-potential ideas rapidly.

SEAS-NVE Goes for Crowd



The Danish energy company SEAS-NVE conducted a crowd ideation contest, looking for ideas to solve challenges in delivering digital energy advice. The company needed a fresh perspective on what value elements a digital solution should include and how to deliver it in a manner that would ensure ongoing interest from users and sustain a subscription business model.

SEAS-NVE decided to ask the crowd to get insights, analysis and ideas. They engaged with a crowd platform focused on business model innovation and asked the following:

“Are energy providers going to stay the same for the next years and decades or will there be another Tesla-effect within the industry? We want to disrupt the current business model and we need your help! Find a digital business model that will make SEAS-NVE’s current energy consulting business model obsolete or find a way to 10x the current business. Your submission could potentially lead to a new business model for SEAS-NVE that creates genuine value for the customer and an ongoing level of interest. SEAS-NVE is especially looking for a consulting service solution that can expand their customer base to SMEs, whom they cannot serve profitably with their current service offerings. You are welcome to propose solutions containing partnerships, affiliates, distribution co-operations, recommendation marketing, etc.—we are sure you will come up with even more ways to identify and serve a genuine need for B2B energy customers.”

Over an 8 week crowd contest, SEAS-NVE received more than 100 thoroughly developed concept-ideas from users, researchers, students, collages and in-depth experts around the world; some bringing real best-practice insights, some leading to real novel ideas and go to market approaches. Input was given from countries such as the U.S. Germany; Italy, Nordics; and start-ups pitching ideas with value-adding business models. SEAS-NVE ended up selecting three winning ideas, paying prizes (<EUR5000) to own the intellectual property rights, and is now working on developing and launching these ideas into new business models.

Key Takeaways from Crowd Ideation

01

Decentralised collaboration is critical for ideation to fill capability voids and accelerate cross-pollination of ideas.

02

A crowd consists of people inside and outside of the organisation, including users, experts, competitors, start-ups, etc.

03

A crowd can operate at a scale that exceeds that of the largest and most complex global organisation, bringing in many more individuals to solve the same challenge and thus ensuring the 10X Imperative and hence a higher commercial success rate.

04

Crowd ideation is the most impactful of all the digital innovation practice in terms of generating returns.

05

Crowd ideation offers the complex problem solving of open innovation together with the lower costs of crowdsourcing.

PART III - EXECUTE

Chapter 6: Crowd Ideation

Chapter 7: Validation

Chapter 8: Build

7

CHAPTER SEVEN

Validation

Pretotyping as a Validation Tool

Using the crowd to radically increase the number of ideas and solutions you are able to generate is great, but it also presents a new challenge: with so many new ideas coming in, it is important to have a way to test them at a similarly rapid rate. A helpful mindset to take into the validation phase is that **no idea is a good idea until it is backed up by market validation**. That is why we recommend seriously considering ideas only after showing they have a good likelihood of commercial success. This will help you reduce the natural tendency of people to be protective about their own ideas and the ideas in which they have some kind of organisational and/or prestige-related investment. This perspective will also help ensure your Corporate Garage transitions from a conventional “know-it-all” expert mindset to a “learn-it-all” entrepreneurial, experiment-focused mindset in which decisions are based on market-validated findings rather than blithe assumptions. **This mindset is also particularly critical for how the Garage operates alongside the broader organisation**. If the Garage team truly commits to testing and learning—rather than remaining a “black box” where innovation just “happens”—it will be easier to scale innovations and support other teams with the same test-and-learn approach. The next major capability in the Growth Toolkit of the Corporate Garage is therefore a method to validate quickly, affordably, and effectively: **Pretotyping**.

Originally pioneered by Alberto Savoia during his time at Google, **Pretotyping involves trying out the initial appeal and actual usage of a potential new product by simulating its core experience with the smallest possible investment of time and money**. Pretotypes fall between abstract ideas and traditional Prototypes, and they make it possible to collect valuable usage and market data to make a go/no-go decision on a new idea at a fraction of the time and cost of Prototypes: *hours or days instead of weeks or months and pennies instead of dollars*.

In the Pretotyping validation process, it is important to focus on learning rather than on preparing to send an idea to market. Instead of building a Prototype, you divide your market validation process into several smaller tests that are quick and inexpensive to focus in on key aspects, features, and capabilities of the as-yet-unbuilt idea. Companies that understand this perspective and process not only test more ideas but also learn more quickly and improve the likelihood that an idea will lead to a successful venture.

The tenets of Pretotyping are essentially this:

- Instead of building a Prototype, **divide and ideate in smaller tests** (then do more tests).
- It should be **cheap, fast, and easy**.
- **Learn from each test** and iterate until you have something customers would pay for.

Pretotyping offers your organisation the ability to access and harvest actions and non-actions about how real-world users or customers will react to a specific idea in a realistic yes/no purchasing decision context, all before spending time, money, and manpower perfecting it and bringing it to market. The distinctive feature about Pretotyping as a market validation tool is that a **“thumbs down” is never a defeat or a bad thing**. Instead, it provides you valuable pre-emptive data about what not to do so you do not waste time and money on non-validated concepts while also enhancing your likelihood of success with your concept choices. In fact, we strongly recommend that you do not produce anything until you have a significant customer group that can and will provide the money needed to make the project happen—and to do it faster, better, and cheaper so that the entire innovation process achieves a higher success rate and more cost-effective implementation.

“

Your concept ideas and products will fail. It is only a matter if you want to know how before your customers will. Pretotyping is interesting as a methodology as it forces fast learning and lets you iteratively adapt your ideas while you grow your certainty in the business.

”

DANIEL W. MATHIASSEN

Director, LEGO Company

Planning the Validation Process

Validation requires rigorous planning and managerial focus. Without an appropriate structure and plan in place, the validation process can become time consuming and can challenge the commitment to the Corporate Garage.

We often suggest following the RAT (Riskiest Assumption Test) method to structure the validation process, which focuses on testing the riskiest assumptions first. It ensures that you collect critical evidence and data about the key assumptions underlying a new service or business model sooner rather than later. Before the tests and experiments used in the validation process can be designed, the team needs to be clear on what needs to be tested. This is usually defined by extracting and identifying the riskiest assumptions of the underlying idea or problem: solution fit, business model, the market, strategy, and criteria for success.

Our approach to the riskiest assumption test follows five steps:

STEP

1

Identify assumptions: Use workshops or interviews to identify and **list the most critical prerequisites and assumptions necessary for an idea to be a commercial success.** Often, we use the value proposition or the entire business model canvas as the point of departure.

STEP

2

Prioritise assumptions: The starting point is testing the assumptions that are least likely to be true and that have the highest impact if false. Further, we suggest focusing on assumptions related to Desirability, as determining whether the solution solves an actual customer pain matters more than whether it can be built.

STEP

3

Design tests: Design clever ways to set up simple tests that answer key questions like whether customers value the solution and are willing to pay for it, whether the business model works, and whether it can be scaled.

STEP

4

Plan tests: It is very important to have a rigorous plan for when to test what, by whom, and how to get access to real-life customers for these tests.

STEP

5

Test, learn, evaluate.

Be aware that we are not trying to create statistically significant and methodologically correct tests here. We are trying to understand as rapidly as possible how we need to change the solution to increase customer Desirability.

“

*Kræftens Bekæmpelse went from
idea to market-validated product in
less than ten days.*

”

KARIN STÖVER

Head of Corporate Fundraising, Kræftens Bekæmpelse (Danish Cancer Society)

Zappos: Would Customers Pay for Shoes before Trying Them On?

When starting his business, Zappos founder Tony Hsieh pondered whether customers would be interested in paying for shoes online before they were able to try them on. He set up a website and filled it with photos he took of shoes in-store and uploaded them in order to test whether customers were actually willing to pay for shoes they hadn't physically handled. Each time a customer placed an order on the website, he went into the store to actually purchase the shoe and mail it to the customer.

Pretotyping Best-Practice

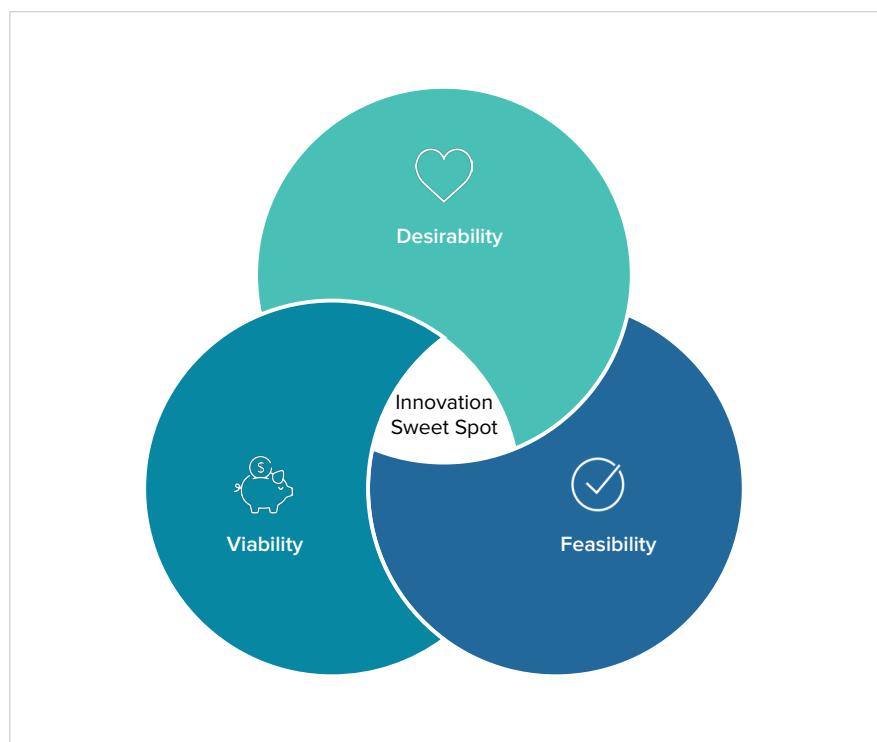
While there is no one right way to set up a Pretotyping experiment, there are a handful of best practices and commonly used Pretotypes that are useful to highlight. Depending on the idea you are testing and the market segment you are targeting for validation, different approaches might be more appropriate for your particular testing scenario. But regardless of your idea, here are a few pointers we suggest you keep in mind:

Focus on Yes/No Test Scenarios

You'll achieve maximum efficiency if you design your testing so that you only get yes/no outcomes, eliminating misunderstandings or false positives that might muddy the waters. For example, if you want to understand whether customers find a particular piece of functionality useful, ask them if a particular feature is something they would pay for (after you have tested it on them).

Focus on Desirability

One of the most popular and widely used frameworks for validation testing is **Desirability, Viability, and Feasibility**. The framework was originally pioneered by IDEO as part of their Design Thinking approach to innovation. The model has maintained popularity because it is an effective way to think about the key criteria an innovation must meet to grow. Desirability tests whether the solution is solving the right customer problem. Viability tests whether the solution is financially viable. Feasibility tests what is technically and organisationally feasible.

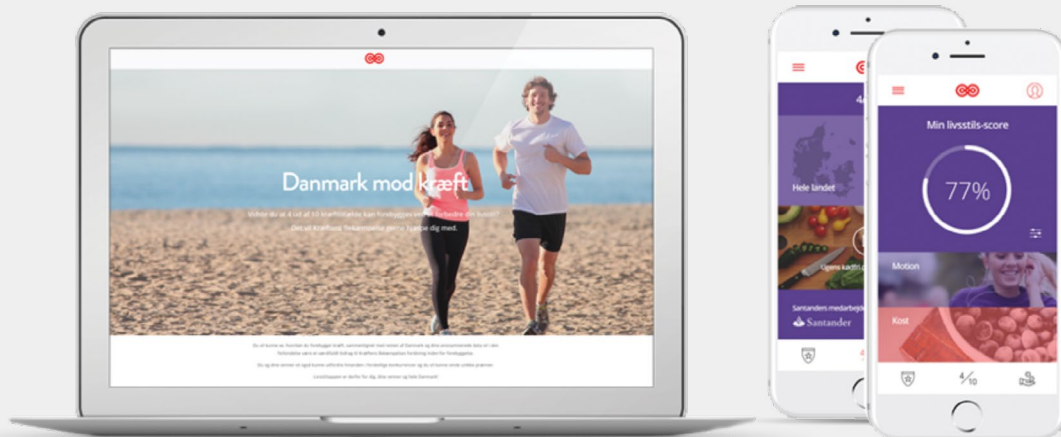


In our experience, the most critical aspect to test, **the one that should be tested first, is the fundamental Desirability of the new solution**, and the best way to do that is to determine whether people would actually want to buy it (i.e. make the purchasing decision in a real-world situation of choice). Our first reason for focusing on the “purchase-ability” of an idea stems from our experience in using it as a shortcut to answer questions about both the Desirability *and* Viability of an idea. Demand and willingness to pay are often linked for customers, and testing for both at once can save time and money. The second reason is that testing customer Desirability takes significantly less time than testing product Viability or Feasibility.

Move Quickly and Leave Room for Uncertainty

It is impossible to know all the answers about how a solution will work in the market at this point. **Until the moment you begin selling a working solution in the market, your revenue and cost projections will be just that: projections.** Rather than spending months working on forecasts that will inevitably change, we find it is more effective to quickly develop an “80% accurate” forecast for revenue, costs, etc. and discuss the business model with the understanding that earnings projections are subject to change. Engaging stakeholders with this understanding is necessary at this stage of the innovation funnel to prevent long discussions about the specificity of forecasts. **Remember, this is not the final investment decision—it is simply asking for the funds to develop a functional Prototype and test it in the market.** For this decision, the 80% answer should more than suffice.

Pretotyping Case Study: The Danish Cancer Society



We worked with Kræftens Bekæmpelse (The Danish Cancer Society) to create a new market concept and fund-raising mechanism focused on cancer prevention. Following the ideation process, three tangible concepts were created for market validation. The direct outcome of the validation was that the time from idea to market-validated concept was conducted in only 10 days.

“

When we reinvented our business model and launched new SaaS offerings, Pretotyping produced powerful and actionable insights allowing fast progress.

”

LARS RUNOV

Former Executive VP Marketing, Unity Technologies

Selected Pretotyping Methods

A wide range of Pretotyping methods is available, each with different advantages that make them suitable for different kinds of testing. If you wish to become more familiar with all of them, we encourage you to read Alberto Savoia's book *Pretotype It*. In our experience, **two methods work best to harvest insights and evidence about whether a particular idea has the crucial Desirability: the Fake Door and the Mechanical Turk.**

Fake Door

A Fake Door tests the initial level of interest in a yet-to-be-developed product or service by pretending to provide a product, feature, or service through artefacts. Without developing anything just yet, you communicate to visitors that the thing exists and you ask them to act on it. If they do, you know they want it and that it is time to start working on developing it.

For example, imagine a grocery store website. If the store is thinking about developing a shopping app and wants to know whether customers are interested or not, a call-to-action button could be added to the website. The button might be labelled as "Download our shopping app". Management would have a powerful decision-making tool at hand if they see a large number of people click the button and divide that by the number of people who were exposed to it. **The Fake Door technique is a powerful, quick, low-waste way to find out if people want a product, feature, or service.**

Consider a Fake Door when:

- Your idea can be concisely described
- You can present the idea to potential customers where you would expect to find them (e.g. a restaurant or a website)
- You can manage the expectations of enthusiastic customers by following up within an appropriate time frame

Pretotyping Using a Fake Door Setup

Company: Copenhagen Airport

Situation: Each day when the Airbus A380 from Dubai arrives in the afternoon, it brings up to 868 passengers from all over the world to Copenhagen Airport, and each individual must go through passport control. To increase efficiency, the passengers are allocated to a specific passport control booth depending on the region in which their passport was issued. Yet, every day, the officers checking passports encounter passengers entering the wrong queue, needing re-direction, and causing longer waiting times for the passengers, resulting in congestion and increased costs for the airport.

Pretotyping approach: Copenhagen Airport wanted to install a light system that would guide passengers towards their designated passport control booth before they started queuing. It is very expensive to purchase and install such a light system, and airport management therefore decided to first understand how to best encourage people to behave appropriately. An experiment was set up by putting tape and country abbreviations on the floor, guiding the passengers to the right booth prior to reaching the passport queue area.

Result: Initial discoveries included the fact that passengers followed the tape lines on the floor but that the country abbreviations were confusing. For example, Chinese passengers would follow the line that said “CH”, which was actually meant for passengers from Switzerland (Confoederatio Helvetica).

Based on this knowledge, the next iteration added flags to guide the passengers, but it was discovered that there are regulations against displaying flags in the airport. Still, the team decided to make an on-the-spot change, adding images of flags to the tape signs on the floor next to the country abbreviations to see if this helped passengers find the right queue. Passengers rapidly better understood what line to follow and subsequently entered the correct queue, significantly increasing the efficiency of the passport control process.

With this business case at hand, airport management sought permission from the appropriate authorities to use flags on the floor of the airport. Permission was quickly granted.

Expenditure: DKK 5,000 for tape and stickers (+ consulting fees).

Payoff: The tape and flag stickers on the floor fully served the purpose of guiding passengers, replacing the need to buy a light system with a much cheaper solution.

Mechanical Turk

A Mechanical Turk tests the user experience of a product or service before making a major investment in designing and building a complex mechanism or building out the back end. Without developing anything just yet, you **simulate the desired outcome using human skills**. If users are excited and want to purchase the product or service, you have an incentive to invest in building it.

For example, imagine when speech-to-text was just an idea. While an IT developer might think this is a great idea, building the necessary hardware and software is a very expensive and resource-demanding task. To test the user interest, they could conduct an experiment that simulates speech-to-text using a hidden typist. When text appears on the screen, users would think their words were being processed by a computer, not a person. The IT company would have a powerful decision-making tool at hand if a large proportion of the exposed people wanted to purchase the speech-to-text software.

The Mechanical Turk technique is a resource-light way to find out whether people want a product, feature, or service. Consider a Mechanical Turk when:

- The final product requires the development of expensive and complex technology
- Functions could be simulated by humans
- The value of the solution depends on multiple interacting technological elements

Pretotyping Using a Mechanical Turk Setup

Company: Danish Road Directorate

Situation: Toilets at Danish highway rest areas are often mistreated, leaving them dirty and in otherwise unpleasant condition. This makes them expensive to clean, repair, and maintain; toilet visits are usually also a poor user experience.

Studies in other contexts have shown that if people have to provide some item of personal information that identifies them (such as a phone number), they are more likely to behave better. So, we set up a study to test this idea.

Pretotyping approach: It would be very expensive to install digital systems that would enable information-before-use toilet locks, especially before it was clear how people would react to the idea. So we set up a special “fake” test situation at a highway rest area. A sign was simply placed on a toilet door (Fake Door) saying the person should send a text message containing their phone number in order to get access to the toilet.

Results: The first result was that people left upset. (The people were then approached by the test team to explain what was going on). They did not want to provide their phone number for all kinds of valid reasons. Using this information, the test team was able to make on-the-spot changes to the language on the sign, making it clear that mobile numbers would not be registered or stored in any way. This quickly eliminated at least one cause for user concern from the validation process.

The second outcome was that people used the nature around the toilets. When the test team inquired as to why, the most common answer was that the person had left their phone in the car and did not want to have to go back for it. From this, the test team quickly established that successful implementation would require signs (in multiple languages) near the car parking area reminding people to bring their phone if they wished to use the toilet facilities.

The third outcome was that some people sent a text message as instructed by the sign. Once the message was received, a member of the test team, who had the key, would walk over and unlock the door to the toilet. This group of users was usually interested in learning more about the test and was positive about the fact that the Danish Road Directorate was not spending money on an expensive digital locking system without testing whether it actually worked in real-world situations.

Expenditure: DKK 20 for paper signs and picture frame (+ consulting fees)

Payoffs: A significant collection of valuable data from a real-world “purchasing/usage situation”—of considerable benefit for successful system design and practical implementation.

Crowdfunding as the Vehicle for Validation

Recent trends champion crowdfunding as yet another strong validation tool. Firms often look towards the crowd to validate their innovation, connect with aspiring entrepreneurs, or find existing ideas to support financially or acquire. **Making go/no-go decisions based on whether people are willing to fund your service development or pre-order a product allows you to skip traditional testing all together— the crowd offers the necessary validation.** With the launch of crowdfunding platforms such as Kickstarter and IndieGogo 10 years ago, we have seen startups developing stain repellent shirts and electric bicycles raise millions of dollars before building a single product. This is similar to how the entertainment and gaming industry encourages their fan base to show their interest in new games by pre-ordering them a year in advance. However, among established corporations, this trend does not seem to have been picked up. We find this puzzling, and we ask ourselves why corporations dare not ask their customers what services to offer, especially given the emphasis and focus on operating cash flow.

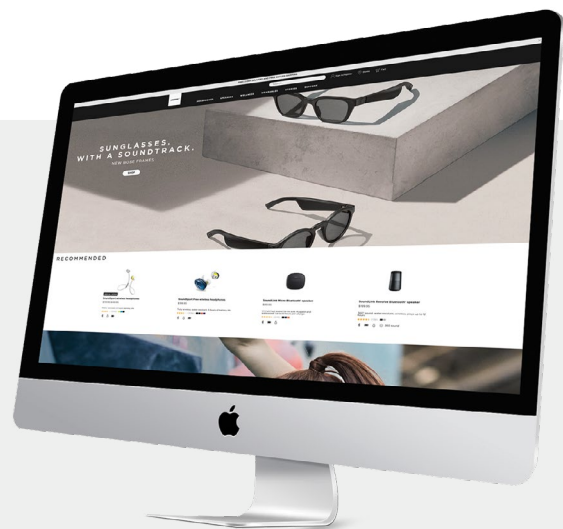
While Indiegogo launched a platform targeting large, established corporations (Indiegogo Enterprise) such as P&G, Coca Cola, Sony, and Whirlpool, the phenomenon has yet to experience widespread adoption. The platforms offer the possibility to experiment and find fast ways to figure out and explore questions like how to launch a new product. They can also help you ensure that you are building something that customers want, thus validating demand. The example of FirstBuild's Opal Nugget Ice Maker, which was one of the most heavily funded projects in 2015, illustrates that it is possible to leverage the crowd without a strong brand name.

Potential drawbacks of leveraging platforms such as Indiegogo Enterprise as validation tools is the possibility that the customers on the platform might not be representative of your core demographic. Crowdfunders, as well as these platform users, can be thought of as first movers who are tech-savvy customers, but they may have a low degree of loyalty, and as they are aware of the early launch, they might be drawn to and incentivised by novelty and trying something new. As such, the validation offered by crowdfunding platforms might indicate product–solution fit rather than product–market fit. Therefore, **before crowdfunding your next idea, ask yourself what type of validation your idea requires and whether the platform offers a realistic simulation of a purchase situation.** However, when introducing radically new products and services to the market, the early adopters mentioned above may actually be a more relevant demographic to survey, as they set the tone for the following adopters, having realised needs and pains before the later majority.

From Validation to Building

“What would have to be true to take the decision to start building?” In other words, have you tested all the fundamental hypotheses underlying your concept? This is the next critical question we ask to determine whether we are done with validation and ready to move on to the next phase. All too often, companies have a deadline or a budget that defines the end of one phase and the beginning of a new phase. However, we find that the essential elements of timing should not be about finance or specific deadlines. Rather, timing should be about when the key project decision-makers and stakeholders are comfortable with moving on and are ready to allocate the budget for the next phase. In our opinion, it is very similar to the point in the strategy process when you have gathered your research, been creative about what you could potentially set out to do, and now must pick one of your strategic options and deselect other—often very attractive—strategic opportunities. **You need to have a good feeling about your choice.** You need to be comfortable with the risks and to have tested all the key aspects of your concept related to Desirability and to some extent Viability. In some instances, testing Desirability and Feasibility to establish confidence for moving on requires you to create several Pretotypes, Mechanical Turks, and even simple Prototypes. It is now time to move from making sure that a concept (platform, service, product, or feature) *can* be done to showing *how* it will be done and whether we can actually build it.

BOSE®
Better sound through research®



BOSE: Using the Crowd to Enter a New Market Segment

Historically, Bose have made speakers and headphones focused on products that delight customers. Bose is now tapping into a new trend: people want to live more fulfilling lives with audio products that suit new situations and focus on wellness, not just entertainment. The key wellness-related problem that Bose is seeking to solve is poor and insufficient sleep. Insufficient sleep is linked to several diseases, including cardiovascular disease, cancer, and diabetes.

Bose used the Indiegogo Enterprise platform to crowdsource insights and market validation. In a project lasting less than 90 days, Bose established a new market and its first new customers. Bose noise-masking sleepbuds launched on Indiegogo to cultivate an early following and help the company fine-tune its latest innovation before going to mass retail. The result was a sold-out campaign in under two weeks with nearly 3,000 passionate early adopters.

Key Takeaways from Validation

01

Validation requires transitioning mindset from refining an idea to learning about how to improve and take it to market. Pretotyping requires a minimal capital investment.

02

Pretotyping requires minimal capital investment.

03

Pretotyping allows you to quickly explore and test whether users will adopt a product or service before investing in building it.

04

Simplify testing by focusing on yes/no test scenarios to avoid misunderstandings and assess idea desirability.

05

Rigorous planning and steering of the validation process is the key to managing time and cost.

06

Validation ends when you feel comfortable.

PART III - EXECUTE

Chapter 6: Crowd Ideation

Chapter 7: Validation

Chapter 8: Build

8

CHAPTER EIGHT

Build

From Pretotype to Scaling Products

Building is one of the most time consuming parts of the development process. On multiple occasions, our clients have expressed their frustration with challenges emerging from lack of execution power and speed. This chapter focuses on tips and tricks to avoid the headwind. We especially try to help you finding solutions to two critical questions:

- How do you go **from a proof of concept**, validated in terms of Desirability and Viability, **to testing the Feasibility of the solution using Prototypes and a Minimal Viable Product**?
- How do you **evaluate whether the service fits strategically in the corporation's portfolio** in order to decide whether (and how) to accelerate its development or place it somewhere else entirely?

The hard truth is that a successful initial evaluation in the Corporate Garage does not guarantee that the solution will work in new contexts, including in other units of the organisation. This book will not go into the nitty-gritty of the detailed process of how to actually build, launch, and scale your new solution, as building, launching and scaling methods are strongly dependent on the type and complexity of the service you are developing. Moreover, ample literature is available that focuses on articulating the process for specific industries and typologies of solutions. We focus instead on sharing some tips and learnings that can guide you in the right direction.

Building Prototypes & MVPs

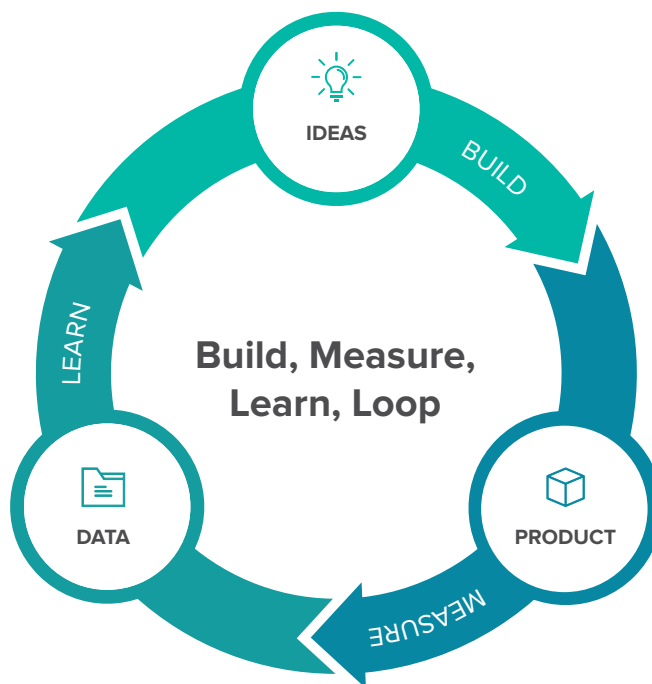
The transition from the Validation phase to the Building phase often requires making a choice between multiple concepts with which you have been working during the Validation process and gaining stakeholder approval for a budget and building timeline. Building a solution, integrating it into the organisation, and ensuring the right momentum for successful and rapid scaling can require a significant amount of funding and manpower. In order to mobilise the necessary resources, most companies will need to see a compelling financial “story” or at least some kind of business case.

Fund allocation is always an important decision and should not be made without adequately weighing the risks and rewards of the project, but at this stage of the solution's lifecycle, a large amount of uncertainty is a given. **The purpose of a Prototype and an MVP is to enable the investment decision by minimising the amount of resources needed to develop a workable solution for testing Feasibility** (in terms of capability requirements for the organisation, amount of resources needed, potential technical issues, etc.), whilst collecting additional information on Desirability and Viability. The principle behind Prototypes and MVPs is to focus on developing and testing only features and aspects of the solution that enable you to address key questions about the solution itself, the market, and the strategic fit. MVPs can also be used to test solution features that may be too complex for realistic Pretotyping. For example, MVPs help determine customers' willingness to pay for subscription models or engage in recurring purchases of the product or service.

Prototypes and MVPs are the most effective way to pare down investment. Investments in marketing, sales and supply channels etc. can come later, as additional tests provide reliable information about how the solution will work while consolidating understanding of the market and user reaction. We will detail this more in the following section, but it is important to realise that just because you have built a Prototype and/or an MVP, the testing and learning do not cease. Prototypes and MVPs are not one-off tools, but must be used iteratively to develop a wide and deep understanding of your solution and the market.

Build, Measure, Learn

Several approaches exist for creating Prototypes and MVPs and taking them to market (the 100 Day Build, the 1:10:100 Method, etc.). Regardless of the process you choose to follow for building, we argue that the same level of commitment you have shown during experimentation and testing needs to be continued by others deploying your idea. Just as you tested your Prototype concepts with customers, we recommend doing the same with your Prototypes again and again to continually refine the product, and determine whether there is real potential to scale. **Experimentation should be based on a structured Build, Measure, Learn cycle.** Each Prototype or MVP you built will address key questions; enable the measurement of key internal and market performance aspects, and generate new important learnings. The subsequent Prototype/MVP will incorporate previous learnings and explore new factors, continually gathering and refining solutions and knowledge about the organisation and the customer.



Despite the relative fame and acceptance of the Build, Measure, Learn process in many companies, we still very often experience that building is constrained by traditional business processes (procurement, supply chain management, etc.). Companies need to learn to adapt to MVPs at an accelerated pace or risk losing the opportunity to competitors. The value of doing so is further accentuated by the additional benefits of the Build, Measure, Learn cycle for the organisation. **The process helps organisations collect, share, and act on key learnings throughout the cycle, which may turn into internal improvements or new market opportunities.**

Staffing MVP Development

Depending on your concept, you may need designers, developers, hardware experts, fabricators, and likely people in many other roles to build your initial MVP. Moreover, the team that develops the prototype may differ with each iteration as every solution coming out of the Corporate Garage is different. **A common mistake Corporate Garage teams make when building solutions is to keep all the responsibility for building and scaling within the confines of the Corporate Garage team.** This often leads to challenges when the product needs to scale and find a place in the wider organisation as it may experience a significant “not-invented-here” revolt or be operationally incompatible with the overall organisation. Thus, it is often more sustainable to build teams with participants from across the organisation, in some cases involving external for-hire consultants to bridge any potential gaps. Creating a project with shared ownership and shared rewards for developing and scaling a product will not only give the solution a better chance of scaling but will also help create an inclusive innovation culture within the organisation.

Finding the Right Fit

As solutions begin to show potential and gain traction in the market, the question of how to organise the developing new business inevitably arises. While much has been written about how to scale products, in our experience it is **equally important for the long-term performance of a solution to determine how the business model underlying it will exist within the parent company.** To address this, we will focus the remainder of this chapter on how to configure and where to place your subsequent development and implementation efforts.

There are four ways to place the new solution:

- **Integrate** the venture into your parent organisation
- Create a **separate venture** to manage and scale the solution
- **Sell** it to an external party and capitalise on your investment to date
- **Kill** it off—if you cannot integrate or find a buyer for it, the best option could be to shelve the idea or kill it off entirely, rather than redirecting resources and focus from more valuable opportunities

In making this crucial decision, it is helpful to think about the new product, service, or idea along two primary parameters:

- How closely is the new thing aligned with your organisation's strategic goals?
- Do your organisation's existing resources and infrastructure provide the capacity and capabilities needed to scale the new thing?

Scaling Decisions are Often Determined by a Fit to Corporate Strategy and the Company's Scaling Capabilities

Company scaling capability	HIGH	Divest / sell	Integrate to organisation
	LOW	Kill	New venture
		LOW	HIGH
		Alignment to strategy	

The above framework provides a simple model to support the decision-making process. **However, it should only be used as a helpful tool to direct relevant discussions surrounding the new solution—it is not a definitive answer to the question.** Each business is unique and may benefit from a different scaling setup. We have collected some rules of thumb for each of the four options.

Integrate with the Parent Organisation

Solutions that are aligned with existing Corporate Strategy and consistent with scaling capabilities are typically scaled within the parent organisation, where, according to the previously discussed Zone-to-Win model, they sustain existing innovation by:

- **Operating in the Performance Zone.** In cases where solutions sustain the revenue engine of the business by delivering performance in terms of improved specifications, market performance, etc.
- **Operating in the Productivity Zone.** In cases where solutions affect systems and programs that ensure regulatory compliance, efficient operations, and effective competitive performance, thus delivering value to the organisation through productivity improvements

Larger organisations often possess a natural advantage in these situations as they benefit from functional infrastructure, manpower, resources, capabilities, and available capital. This is especially the case if the solution fits the existing market of the core business, as necessary changes to distribution, marketing, and sales will be minimal when integrating it into the organisation. However, some companies may run into challenges arising from the relative newness of the solution to the wider organisation and ensuing conflict with people's personal agendas. This tension can become especially high when integrating a new line of business into the organisation as the practicalities between the innovation and existing products may lead to a situation similar to the Innovator's Dilemma. **Managers may struggle to decide how to balance budgeting of resources between the two, fearing the loss of one or the other.** In these cases, it is important that the new solution is strongly endorsed by leadership so that it has the necessary support to ensure a transition towards acceptance. Companies need to be willing and ready to accommodate new solutions to help them scale within the organisation.

Overall, **positioning new solutions within your main organisation for the scaling-up process can bring both significant benefits** and challenges. Here are the benefits we encounter most commonly:

- ✓ The relative ease of gaining funding from internal sources rather than external investors
- ✓ The economies of scale, resources, information, and market access available to large corporations
- ✓ Support from the parent company during challenging times

In contrast, the **challenges are linked to the often rigid organisational processes and culture of the existing parent organisation:**

- ⚠ Traditional thinking/behaviour can percolate down into your innovative setup and soften your break-the-mould aspirations
- ⚠ Decisions around the new business can have a political dimension, as managers need to balance the needs of the new solution and the existing business (remember that people look at their KPIs—how is my success being measured?)
- ⚠ At times a company's legacy infrastructure and processes may actually limit the speed at which a new solution can grow, for example if the organisation is unwilling to invest in a different IT infrastructure

Incorporate a New External Venture

Solutions that are aligned to strategy but whose scaling requirements are not consistent with the scaling capabilities of the company are typically scaled as new ventures. **This scenario often arises when a new solution differs substantially from the core business of the parent organisation.** In these instances, the parent company often will not have access to the required capabilities or networks needed to support the new business. Releasing the new venture to ensure its autonomy as a separate autonomous or semi-autonomous commercial venture can create more value than keeping it within the existing company.

In many ways, this option can also be less risky than integrating the new solution into the existing business. **Integration takes time and can be costly, and at this stage of innovation, it can still be relatively uncertain**

in terms of its scaling performance. By contrast, setting up a solution as a new separate venture owned by the parent company can unleash the venture to grow as a startup. If it experiences success and scales quickly, then the decision to manage it as a separate unit can always be revisited, but it is often more difficult to pull an integrated business out of an organisation once that decision has been made.

As with integrating a solution into the parent company, there are various pros and cons to establish a separate venture. We see the following as the main benefits:

- ✓ The parent organisation does not have to go through an integration effort
- ✓ The new solution has the freedom to develop processes and infrastructures that are truly fit-for-purpose
- ✓ The new venture is able to retain its radical spirit, disruptive thinking, and entrepreneurial methods without the risk of being influenced by the parent company
- ✓ The level of organisational politics is minimised in daily decision-making, allowing team members to focus on creating growth

However, the venture may be challenged by these elements:

- ⚠ The lack of support and resources from the parent company
- ⚠ A duplication of processes and systems across the parent and venture companies
- ⚠ Finding relevance in the Corporate Strategy of its parent company as it scales, at the risk of being divested
- ⚠ A certain level of cannibalisation of sales between the parent company and the venture

Divest / Sell

If the new solution is not aligned with the organisation's strategic intentions, another way forward is to sell the market-validated solution. It can be easy to forget that Prototypes and MVPs (or even Pretotypes) developed through the innovation process can represent valuable IP for the company. For ideas that seem to have market potential but are far outside a company's expertise to scale, selling the IP to a company that is better positioned for scaling could be more beneficial than simply shelving the idea. **Depending on the solution and potential buyers, it may be possible to sell the IP itself or even the business unit behind the solution.** In most cases, companies are chiefly interested in the IP behind new solutions—the technology, design, and algorithms that make a product what it is. However, there are cases, for example in more service-oriented solutions, in which the main assets may be the people and knowledge that together make up a business opportunity. In such instances it is worth exploring whether selling your innovation as a separate business makes more sense than selling only the product/IP.

We see the benefits of selling the new solution as these:

- ✓ Earning a return on the time and resources invested in the effort to develop the new solution
- ✓ Limiting the downside risk of further investing in a product that does not scale successfully
- ✓ Expanding your partner ecosystem by engaging with potential buyers
- ✓ Retaining your focus on your core business

However, selling often involves some or all of the following challenges:

- ⚠ Limiting the upside potential of owning a successful business
- ⚠ Allocating time and effort to sourcing and negotiating with potential buyers
- ⚠ Creating confusion within your organisation about the rationale behind your innovation integration decisions

Of the four options for integrating new solutions, selling them off is by far the least often pursued. Often at this point in the Corporate Garage, teams and corporate leaders are personally invested in developing and scaling

a solution successfully. Moreover, if the Corporate Garage team is defined properly, the chance of a solution far outside a company's strategic vision reaching this point is quite small.

Kill

The most difficult decision regarding a new solution is to end a project. It is however important to remember one of the key tenets of innovation: **Only a small percentage of ideas will actually scale into a successful business.** If a particular solution is not gaining market traction, then the effort should be assessed to determine whether continuing to invest is in the best interest of the wider business.

However, companies should not immediately jump to conclusions with regard to ending a project. Rather, they should explore the possibility of pivoting. Many innovations started as something totally different from the successful business that eventually scaled in-market. Just because an idea is not working in its current form does not mean it should be abandoned completely. As discussed earlier in this chapter, learnings from market validation should be continually incorporated into testing and learning loops to improve the product. The test and learn processes take time, and these loops may result in a Prototype product that is quite different from any product that successfully achieves scale. **Most successful pivots do not come from one major decision but rather from a series of iterations on an existing idea that finally ends up gaining market traction.** Given that, if you are struggling to scale and you feel a radical pivot is needed in order to be successful, our suggestion is to go back to the ideation and validation phases to test different ideas to see whether your pivot has market potential. Jumping straight to a Prototype of a non-validated idea runs a high risk of losing valuable time and money towards a solution that may not meet customer needs. Nevertheless, it is important to remain objective even at this point in a project lifecycle. If there is no viable path for scaling and/or innovation resources are better spent elsewhere, then it is up to the leaders to make tough decisions about projects.

As with the rest of the innovation process, this decision should not be viewed as a failure but rather as an opportunity for learning for the organisation. This mindset will help derive value from any investment made in the new solution and help ensure that subsequent opportunities have a chance to scale as well. Here are some of the benefits of taking the decision to kill a project:

- ✓ Limiting downside risk of continued investment in projects that do not scale successfully
- ✓ Providing the organisation a chance to perform retrospectively and incorporating learnings into future ventures
- ✓ Freeing resources for other projects

However, killing the project may come with the following cons:

- ⚠ A lost opportunity to incorporate changes that might help the idea scale
- ⚠ Political implications of having a project "fail"
- ⚠ Possible frustration and reintegration issues on the part of team members who invested significant time in a project

Killing a project is never easy and the decision should not be made in a vacuum. One of the advantages of getting leadership onboard with the Corporate Garage process is the knowledge that, inevitably, some projects will fail. The idea is to continue testing, learning, and refining to give your organisation the best chance to develop solutions that will create significant growth for the company time and time again.

Key Takeaways from Build

- 01 Set-up a structured Build, Measure, Learn process
- 02 Apply thorough experimental rigour to Prototyping in order to determine potential to scale
- 03 As solutions scale, it is important to determine how the new solution best fits with the core business
- 04 You may integrate, externalise, sell or kill a new solution at the scaling phase
- 05 It can be advantageous to sell the solution if it does not align with the main business
- 06 End a project that is failing to scale in order to prevent further losses and to gather insights for future ventures

LEAD

Leadership and talent are crucial components in ensuring the long-term ability to create accelerated growth. The Corporate Garage requires leadership and talent that are able and dare to challenge the status quo at all times. The people involved in the Garage are the key ingredient for its success.

Chapter 9 focuses on outlining the key leadership and talent imperatives on which the Corporate Garage leader should focus in order to be successful.

The purpose of this Part is to answer questions about what talents are sought after for the Garage and **how to lead in a way that drives** sustainable entrepreneurial growth. It does so by offering key leadership imperatives about leading and developing teams, defining the relationship of the Garage to the organisation, creating an ecosystem, and driving a growth culture.

Key Concepts: Leadership, Talent, Imagination Gap, Ownership, Discovery, Deep Inquiry, Storytelling, Change Makers



PART IV - LEAD

Chapter 9: Leadership & Talent

9

CHAPTER NINE

Leadership & Talent

Behavioural DNA Needed to Close the Imagination Gap

In recent years, the role of talent and leadership as the number one ingredient for success in whatever your company sets out to do has been widely argued for and recognised. We count ourselves amongst the proponents of this belief and campaign for understanding the true value of talent and leadership in innovation. In our experience, **the Corporate Garage will be a wasted opportunity without the right talent and leadership to drive growth acceleration.** In the worst case, a failure to secure the Corporate Garage talent pool may kill the organisation's belief in its ability to imagine and develop a new future for your business.

Many books and articles have been written on leadership competencies, mindset and traits needed for innovation, but we have found no one that has better described what is really required than Beth Comstock, the former vice chair of General Electric. In her inspiring book *Imagine It Forward*, she describes through case studies and her own experiences what is required of leaders and talent in companies attempting to close the Imagination Gap. In other words, **the gap that hinders all of us in trying to imagine it forward, thinking of what we might be, rather than of what we have been.** Inspired by Beth Comstock and drawing from our own combined experience, we believe that to succeed with the Corporate Garage, you need to deploy leaders and exceptional talent who possesses the characteristics to inspire and drive innovation. These individuals are characterised by:



Before exploring each of these characteristics in detail, we emphasise that these traits are not functional competencies that can be gained in business school; they are all about mindset, personality, know-how, temper, grit, and identity. Importantly, these characteristics should reach way beyond the leader of the Corporate Garage and apply to all talent taking part in the Garage. These characteristics form the cornerstone of a foundational behavioural DNA for those who can and will close the Imagination Gap and help you find new sources of accelerated growth for disruption. **In a Corporate Garage, all talents are leaders and all leaders are talented.**

A Drive to Take Extreme Ownership

Extreme career ownership, passion and courage to follow (often unrealistic) dreams, and willingness to take personal risk characterise most of the heroes of the innovation and startup world. These are people we all admire, quote, and often pay unlimited sums of money to come inspire us. When you read Ben Horowitz's personal story about being an entrepreneur in *The Hard Thing About Hard Things*, you can feel and understand how much he owned his career, took personal risk, and never asked anyone for permission. He still found his own way to build Opsware and his venture capital empire, Andreessen Horowitz. Professional leaders and people we consider great leaders (from the established corporate world) will not necessarily thrive and succeed in the Corporate Garage—in the Garage, there is no career playbook, no job grading or Mercer pay scale. The Corporate Garage is a damn hard place to be because there is no legacy business to inherit and optimise. **It is a place you as a leader and talent need to apply yourself and create something new to succeed, and that is a very hard thing for most people do to.** Therefore, you need to look for that talented leader and for talents that are willing to own it like there is no paycheck tomorrow, no glamour, no bonus, no fancy company car and none of the other perks that often accompany executive positions.

Look for talent that does not wait for others to come up with the answers or that asks for permission to act. The people you will love to see working in your Corporate Garage are confident, with their own ambitions and the ability to make judgement calls. The last thing you should do if you are lucky enough to attract a true talent to your Corporate Garage is to build boundaries around her—don't provide clearly defined tasks, enforce rigorous processes and procedures, or offer your standard corporate perks to such a talent. They will want ownership of the idea, solution, business, and team. **The leaders and/or talent you want are the ones that see disruption as something they are excited to engage in and create rather than observe.** They act, experiment, and learn everything with the objective of becoming more creative. They create to express their ambitions and visions. Thomas Edison stated that “**Genius is 1% inspiration and 99% perspiration**”—you want talent with a sense of ownership so strong they are willing to work harder than anyone else to see their idea and vision become a reality—just as an artist would do.

Gatekeeper vs. Goalkeeper

Mark Eckō in his famous talk “Embrace the Mess” introduced us to the Gatekeeper vs. Goalkeeper challenge. Gatekeepers are people in your organisation that hold on to power and see divergent thinking and actions as threatening. They police procedures and processes and push us to internalise them and act accordingly. This behaviour enforces group think and minimises creativity. In contrast, Goalkeepers are occupied with creating something and/or empowering others to follow their ideas and ambitions. They encourage the expression of creativity and ownership of ideas. The Corporate Garage thrives when you only have Goalkeepers and maintain zero tolerance for Gatekeepers.

A Natural Urge to Discover

Our history books are full of discoverers and explorers—the Marco Polos, Christopher Columbuses, and Neil Armstrongs. Today, we need discoverers more than ever in all aspects of our society, including the business world. The average lifespan of a Fortune 500 company today is less than 15 years—50 years ago it was 75 years. This requires established companies to discover new paths for growth. **Culture in the Corporate Garage can be expressed in one word: openness.** This includes openness to discovery, new areas of inquiry, new questions, new people, and different cultures and schools of thought. Leaders in the Corporate Garage must be able to make judgement calls when confronted with incomplete data, encourage critical and combinational thinking, value speed over zero failures, and embrace change—much like the discoverers of our world.

The Corporate Garage requires a culture that seeks to discover opportunities more than efficiencies, enabled by leaders and talent that recognise that only by being explorative can new sources of growth be found. For many, being explorative is challenging and often frightening. You are challenging the status quo and the “group thinking” that has become established over decades in a large cooperation. Therefore, **Corporate Garage leaders and their executive sponsors in the parent company need to protect the discoverers of the Garage** (and in the parent company) by making sure to be sensitive and encouraging towards those that dare to discover and ask the wicked questions. Effective “discoverer leaders” are able to use the world as a classroom. They find learning opportunities everywhere and bring that extra “spark” from outside sources, incorporating insights that suddenly change the dynamics of the group. Bringing in the “spark” requires courage from corporate leaders as they need to help people coming into the team from outside to integrate and minimise any uncomfortable friction that may lead to resistance. However, when managed, this tension often acts as the catalyst of creativity and new perspectives.

In our work with innovation and growth, we have often been the “spark” or brought the “spark” along with us. This has always been uncomfortable and exciting—“How will they react to this? Will they play along? Will they be open to new voices and perspectives?”. **The tension is good. It makes us perform and—most of the time (not always)—helps us succeed in moving the “group thinking” and “status quo” in a new direction.** This creates an experience of discovery for the leaders and groups we engage with. Thus, when you look for talent for your Corporate Garage, look for discoverers—the weird ones, the different ones, the ones that dare. And if you are looking for a specific trait for your Corporate Garage, leaders need to make sure to hire someone who is perfectly fine with letting others shine, not seeing themselves as the “spark” of the company.

A Thirst for Engaging in Deep Inquiry

The one characteristic that you do not want in your Corporate Garage leader is compromise. A leader who always seeks harmony and consensus and is uncomfortable leading in tension will not push your efforts far enough to find accelerated growth. Your Corporate Garage leader needs to be a skilled social architect able to establish a physiological safe zone that allows for what Beth Comstock calls agitated inquiry. Agitated inquiry is the evolution of an idea into action steps through (sometimes heated) exchanges and ideas. Where discovery is about an engaging conversation with the outside world, agitated inquiry is about the essential conversation between the people inside your Corporate Garage.

Most people (and many leaders) find conflict challenging and uncomfortable, but (healthy) conflict is often the engine of creativity and innovation. **As a Corporate Garage leader, make sure to establish a culture where friction and tension are accepted during the creative process.** Establish ground rules to institutionalise the psychological acceptance of conflicting views. For example:

- Always go with “No but”—make the critic suggest a solution or offer a bridge to another idea
- Carve out times during meetings and co-creation sessions to hear conflicting views and objections
- Agree to disagree, and seek to find the common ground that unites you
- Make sure to spend time with your biggest critics and give them the “star” role in your creative process—clearly state that you need conflicting views to come up with the best ideas and solutions
- Instil a culture where people ask a lot of questions—encourage questions and set aside special time for questions, NOT answers
- Embrace divergent thinking and encourage “junior” perspectives within the ideation and creative process

Corporate Garage leaders (any leader really) can find inspiration in Jeff Bezos’ Management Notion #13, which deals with healthy conflict: “Have Backbone; Disagree & Commit”. His description of the principle reads as follows: **“Leaders are obligated to respectfully challenge decisions when they disagree, even when doing so is uncomfortable or exhausting.** Leaders have conviction and are tenacious. They do not compromise for the sake of social cohesion. Once a decision is determined, they commit wholly.”

We have first-hand experience in how rewarding mastering constructive conflict and destroying a culture where conflict is not accepted can be. We’ve had “front- row” seats to seeing valid and much needed innovative initiatives shut down because of senior leadership’s inability and unwillingness to take on a conflict and discussion about an innovative direction in the executive group. This resulted in top talent leaving the company and competitors moving in on the attractive new “disruptive” space in this client’s industry. **Innovation is about seeking out tension, not avoiding it**—and you need to ensure that your Corporate Garage talent and leadership are ready to get uncomfortable and challenged with the sole purpose of being creative and delivering growth.

A Talent for Being a Masterful Storyteller

The world has become so uncertain that economists have created a term for it: **VUCA (Volatile, Uncertain, Complex, and Ambiguous)**. Deciding to establish a Corporate Garage is often an attempt on the part of established companies to deal with the VUCA world (which is good), but as we all know, a Corporate Garage cannot itself deal with the world. It is the people in the Corporate Garage that have to do it. **Thus, you need to look for talent and leaders who are strong sense-makers**—they must be able to make sense of the world and craft a

cohesive and meaningful new stories that others buy into.

The first thing you need the leadership of the Corporate Garage to do is tell a meaningful story about the Corporate Garage to internal stakeholders, ensuring that the established company understands why the Garage is necessary and how it will contribute to the parent organisation. We have experienced first-hand the friction that can and will emerge between a parent company and the Corporate Garage if there is no meaningful story behind the *Why, What, and How* of the Corporate Garage. Situations like these usually lead to ineffective use of resources and competing initiatives between the Corporate Garage and the parent company. The second thing your Corporate Garage leadership needs to do is articulate a meaningful story linked to the MTP that sets the direction for their Disruption Strategy. Telling the story of what you are doing and the actions you are taking is not simply a matter of spin. It allows the Corporate Garage leadership to bring people (internal and external) together in an intentional and focused creative process. If you are not able to tell the story, you will not be effective in securing the resources required to find new paths for growth. By crafting the story, the Corporate Garage leadership can perform a reality check to see whether the direction taken for the effort is sound. **A story that does not hang together and is difficult to tell can be an indication of a strategy that is not sound.** You need a chief storyteller in your Corporate Garage—someone who can see a path through the VUCA world and craft a story that people, talent, investors, and customers buy into.

A note on the importance of storytelling to customers: **the Corporate Garage is all about finding and accelerating growth through rapid market validation, and here the craft of storytelling is vital.** Telling a meaningful story to the market that supports the position you want to take with your business, product, and service is a critical skill for generating the type of growth that a venture like the Corporate Garage cannot live without.

Write It as a Press Release

A good way to test whether you (or your Corporate Garage leadership) can articulate your Disruption Strategy or a new service or product you are launching is to write it as a press release. This forces you to synthesise what is happening and how it is happening in a way that should make perfect sense to your target audience. Beth Comstock does this to test her new ideas, company initiatives, and partnerships after ideation sessions and when a course of action has been decided. Write the press release and then have someone review whether it makes sense and expresses the ideas and vision that the team had in the first place.

An Ability to be a Real Change Maker

We are hardwired by our biology to resist change, to prefer the incremental change that requires the least effort from us; hence, leading radical change is a challenge from the get-go for anybody.

If you really believe that you will have to reinvent your business and want to leverage the Corporate Garage to do that, you need to ensure that the executive leadership of the parent company is willing to sacrifice the certainty of the existing paradigm for future (less certain) opportunities and growth. **In many cases, having an Executive Champion in the parent company facilitates gaining support and retaining it throughout the process.** An Executive Champion is someone who promotes the work and ideas of the Corporate Garage and the impact the Garage team sets out to make. Consequently, Corporate Garage leaders and talent need to be attuned to the importance of leading change by identifying and engaging with their Executive Champions to ensure that when the time comes, the parent company is ready to make the change from one business model to a new, reinvented business model. Only with a shared understanding of the way forward can the Executive Champion effectively support the Corporate Garage. One of our clients recognised this and installed a Corporate Garage “bouncer” in the Executive Committee. The “bouncer”, in their terminology, was a pivotal part of the success of Corporate Garage initiatives being developed and scaled across the business.

“

Getting people to adopt to a new way of doing things, mobilising them around a new story, is the hard stuff of innovation.

”

BETH COMSTOCK

Ex. Vice Chair of General Electric

Working with the change narrative and leading change is not a start-stop exercise—it is an ongoing and very intentional conversation between the Corporate Garage and the parent company. As soon as the Disruption Strategy of the Corporate Garage is in place, the leader of the Corporate Garage should start a conversation with the Executive Champions to ensure they see and share the vision and are ready to support the journey ahead.

Corporate Garage leaders and talent need to pay immense attention to what leading change requires—**often, what is evident and motivational to someone working on the edge is neither evident nor motivational to the people working to optimise the existing model within the existing paradigm.** We have been very fortunate to work with talented change makers in some of the Corporate Garages we have helped establish. This has helped us identify some key traits in their behaviour:

01

They put themselves in the shoes of others. Understanding how the themes, innovations, and solutions with which the Garage is perusing and experimenting can be a challenge for the existing business and people. Consequently, change makers invest a lot of time with Executive Champions to ensure that the Champions help pave the way when the time is right to scale new initiatives and business models out of the Corporate Garage.

02

They make small experiments to showcase the future. Rather than going big on the change from day one, they make smaller showcases to make it real and tangible so that everybody “gets it” and wants to be part of making “it happen”.

03

They bring in the “sparks” that have succeeded. Bringing in the “spark” will move the current perspective just enough to start a snowball effect of change. Seeing and hearing how others have navigated the transition to new business models will strengthen people’s confidence that they can do it.

04

They create (just) the right level of paranoia. Being an innovator also means you must scare people just a little to open them up to change—taking exploratory trips to see what others are doing outside of the big corporate world is often an effective way of creating just the right level of paranoia (“Wow they are already doing it...this can be applied for our customers” is a remark we have often heard).

05

They boast about the successes in the Corporate Garage (even the small ones). As change is starting to happen, it is important to get the “groove going”—getting people onboard and nudging out any remaining fear of the mission. As much as you need a conversation with the market and your customers, you need to engage the people that will drive the change and bring your innovation to the market.

Do Not Underestimate the Impact of Talent

Talent and leadership is everything. In our experience, attracting the right talent and leadership to the Corporate Garage is by far the biggest challenge facing any company wanting to innovate for growth. **Therefore, see people, talent, and leadership as your fundamental must-haves from the start and be creative about how you source, compensate, and lead these people.** There is no playbook to be found in the corporate world for this, and in our experience, HR professionals need to be introduced to a new playbook to be able to successfully staff a Corporate Garage. We have experienced how paying too little attention to the real talent and leadership needs of Corporate Garages has resulted in the closure of unsuccessful Garages. These Corporate Garages were struggling to produce results because the capacity and competencies were not in place. Thus, it is crucial to carefully set the right Corporate Garage team from day one by handpicking the leaders, talent, and internal and external resources. Talent is not just a challenge for Corporate Garages—it is a challenge for all businesses today. And we believe that leveraging open platforms for sourcing talent, ideas and solutions is the way forward for companies.

Key Takeaways from Leadership & Talent

01

Close the Imagination Gap by hiring and enabling exceptional talent with a desire to take ownership, an urge to discover and engage in deep inquiry, and an ability to tell stories and make change.

02

Seek talent willing to own their ambitions out of pure passion and desire to learn.

03

Leaders in the Corporate Garage need to have the instinct to experiment and confidence in their judgments.

04

It is pivotal for Corporate Garage leaders to have the motivational ability and influence to galvanise others to take action.

05

If the Corporate Garage is to reach its potential, an Executive Champion must promote the work and ideas of the Garage to the parent organisation to strengthen cooperation and knowledge sharing.

FINAL REMARKS

Final Remarks

We started out by saying that venture capitalists and entrepreneurs have been gaining most of the created value from disruptive opportunities. We believe that the Corporate Garage can help corporates embrace new entrepreneurial ways of working to accelerate growth and catch up with venture capitalists. **However, in order to do so, corporates need to accept that legacy is legacy and open up to a new way of understanding growth investing, product development, and customer interaction.** Consider the differences in investment patterns between venture capitalists and large corporates. Venture capitalists are used to investing for the long-term into bold concepts that bank on long-term technological and societal changes, whereas corporates generally go through strict NPV calculations with short incubation times, and an expectation for near perfect success. Corporates could benefit from thinking like venture capitalists and accept that in today's accelerated world, making bold decisions provides the best opportunity to ride the wave of exponential growth.

The Corporate Garage acts as an exemplary platform for transitioning the parent company towards a new way of thinking, hence demonstrating the values of entrepreneurial ways of working to the wider organisation. It is crucial that corporates move away from thinking about assets and value sources in traditional ways, and break their innovation free from path dependency. The 4th industrial revolution has transformed and will keep on transforming the way companies compete and create value to their customers. Only a decade ago corporates would have been able to hide behind their scale and protect themselves from many disruptive startups by acquiring or blocking them. However, today disruptive startups are able to gain similar scale and infrastructure by leveraging services offered in the cloud. **Corporates have nowhere left to hide.** By combining agile strategy, Crowd Ideation and Rapid Market Testing, the Garage offers the opportunity to play by the entrepreneurial rules, and open for new knowledge from across the globe and execute on it in a fraction of time. In other words, the Corporate Garage helps to respond to the new opportunities and threats created by an increasingly global and rapidly changing world. When done right, this can create sustainable value to the parent company, stakeholders, customers and greater society.

Nevertheless, **we are aware of some of the justified and unjustified critique that Corporate Garages have received over the years.** Some examples include naming Corporate Garages "Innovation Theatre" where selected employees come to work in t-shirts and play on bean bags, or "Glorified technology labs" where coders work on programs with little value beyond the engineering prowess of their own design. These remarks are often the result of failed attempts to accelerate growth due to the poor alignment of Corporate Strategy and the Disruption Strategy followed in the Garage, an overemphasis on technology without considering the impact on operations and customer value, or the absence of true executive commitment and courage to invest in disruptive business models. The Innovator's Dilemma is still often a key struggle for executives, and a significant hindrance for the effectiveness of Corporate Garages.

We have experienced all of these challenges during our time working with the Corporate Garage, but have also found that these threats can be overcome through passionate leadership, alignment and structuring. The importance of clearly articulating the story of how the company's mission will make a difference for society and customers, and how the Garage will play a vital role in creating, designing and delivering it can not be underestimated. **The connection between the MTP, Disruption Strategy, Disruption Thesis must be clear for all the talents who are running the Garage.** Creating accelerated growth and reinventing your business is not easy, but necessary in today's world.

Despite the criticism we believe Corporate Garages play a crucial role in helping corporates adapt to the new pace of change and to create new transformational products and services to drive growth for years to come. We argue that many fundamental business principles are shifting towards increasingly decentralised, but connected realities powered by technologies across a multitude of industries. This transition highlights the role of machines in changing the way we live, work and interact in our daily lives. The technologies driving our headlines today (Machine Learning, AI, Blockchain, etc.), will have an increasingly significant role in the reality of tomorrow, and importantly be replaced by a new set of technological breakthroughs. **Companies need to be able to capture those transitions before they take place to retain their relevance in the marketplace.** We hope that the Corporate Garage will help you find courage, inspiration and entrepreneurial drive to ride on the 10x growth wave of today and tomorrow.

Embracing the Power of Agility and the Crowd

The increasingly ubiquitous presence of speed in everything we do and demand plays a defining role in the development of how, when and where businesses need to be present. Simultaneously, the move from products and services to solutions is driving companies towards the age of ecosystems and solution platforms that create new forms of relationships with customers. This transition directly expands the breadth of necessary knowledge as customer journeys and expectations become entangled across multiple industries. Platforms and ecosystems transform customer interactions from dialogues to multidimensional relationships that will require a whole new level of Desirability and Feasibility testing and market Validation. Companies that continue relying exclusively on traditional customer surveys and focus groups, even in their digital form, will quickly fall behind in their ability to respond to the multidimensional needs of platform products.

These movements highlight the need to open the innovation and growth acceleration process for further engagement with the crowd at multiple levels. **The crowd may become a defining feature of future corporations from product development to staffing to funding.** For example, already today, demand for work completed by freelancers and entrepreneurs is growing, and significantly changing the nature of work. Companies have become open to embracing ad-hoc work platforms in different domains, which has given rise to several platforms such as Freelancer.com or UpWork who by now already have more than 12m freelancers in their network and over \$1bn worth of jobs available. On the other side, crowdfunding initiatives have taken on a significant chunk of corporate and non-corporate project financing with popular platforms, such as Kickstarter helping to fund projects with a total of over \$4bn by the beginning of 2019. Together with the huge influence of social media on politics, media and culture, these trends exemplify the role of the crowd in today's society. Importantly, the majority of companies benefiting from the crowd do not do so by relying on some cutting-edge robotics or technology, but rather on leveraging the crowd to define and materialise the principles of their business models. This is likely to further deepen, as more corporates across a multitude of industries engage the crowd in new ways.

In light of recent developments, we see the role of the crowd becoming more ubiquitous for businesses on a global scale. **The decision to take part in the transition from a closed view on business to a decentralised connected reality powered by the crowd, may be changing from a “nice to have” to a necessity.** This is where, we in Denmark, might have been lagging behind companies in the U.S., U.K. and Germany. Using the crowd in innovation and growth processes is still very rare amongst Danish corporates.

Our hypothesis is that as a small country, we are less exposed to the entry of new radical innovations at their earliest stages and as a result recognise disruptive potential only a little later down the line. There might be a lower tendency from corporates to explore the earliest entrepreneurial efforts as they know that scaling in the domestic market may be impossible, and thus the threat of disruption from new entrants remains relatively low. These thoughts are supported on the other side by the evidence displayed by U.S. and the U.K. corporates embracing open innovation and crowd ideation in multiple ways to avoid being disrupted by a large and active entrepreneurial market. **Whatever the reason may be, we urge Danish companies to take the leap and explore what engaging with the crowd could offer them.** In our experience, working through the Corporate Garage to do so offers an attractive alternative that can gain support from executives at the highest level.

The Corporate Garage is not only a place outside the core business where legacy is set aside and the uncertainty of tomorrow is cherished, but also a mindset that can be infused into the core to ensure that the company as a whole can thrive in today's hyper-connected world. **The Garage should not be seen as a separate unit, but rather as an insurgent force that can help you drive entrepreneurial mindset, leadership, tools and processes into the wider company to elevate your everyday strategic and operational challenges.** Just as entrepreneurs need to convince other renegades through their passion and courage to join them to solve big problems, the corporate needs to listen and open to the potential of the entrepreneurial mindset. So we call for all corporate CEOs to accept the new rules of the game and open up a Corporate Garage to accelerate growth for the greater benefit of your business, customers and society.

About the Authors

Core & Company

Core & Company is a pragmatic and entrepreneurial growth advisory firm located in Copenhagen, Denmark. Core & Company partners with large corporations, who are bold and ready to make a change, and offer them agile strategy development, customer-centric business models, and innovative organisational architecture.

Rasmus Vaupel, Founder and Partner at Core & Company heads up the Corporate Garage approach and began developing the concept back in 2016, to help clients adapt, evolve, and succeed in a changing world. This book is authored by Rasmus Vaupel.

For more information, visit: www.corecompany.dk

pree.to

pree.to is a leading consulting firm specialising in the prototyping framework that enables large companies to build and validate new business ideas rapidly and effectively. pree.to has worked with +30 top-league companies and trained thousands of people on prototyping and related toolsets. Soon, pree.to will be launching an online platform for companies of all sizes to experiment and market validate their ideas—at a cost and speed never seen before.

Tim Vang is trained personally by Alberto Savoia and is the Co-founder of pree.to and has contributed with exceptional insights and exciting cases for the prototyping element of the Corporate Garage approach. Tim is author of “From Holy Grail to structured fail”.

For more information, visit: www.pree.to

Copenhagen Business School is the largest business university in Denmark. It's research profile covers a broad subject area within the social sciences and humanities. The academic breadth reflects a societal need to understand business issues in a broader social, political, and cultural context.

Lars Bo Jeppesen is a professor at CBS, where he holds a position in Management of Innovation at the Department of Strategy & Innovation. Lars is an expert on innovation as it relates to co-development with users, crowdsourcing, crowdfunding, and technology platforms. He has contributed to the Corporate Garage approach with deep knowledge and insights on how firms can access and leverage “external” innovators’ potential. His work has been published in a variety of management journals, and it has been featured in media ranging from Financial Times and Fast Company to Nature and Science.

Recommended Reads

None of the individual principles presented in this book are unique or novel on their own—a significant amount of research and literature exists on each principle. We have compiled some of the most inspiring books and texts we have read the past couple of years—challenging and framing how we perceive working with innovation and growth. We hope they will do the same for you.

- Change by Design (2009) Tim Brown
- Corporate Startup, The (2018) Tendayi Viki
- Culture Code, The (2018) Daniel Coyle
- Exponential Organizations (2015) Salim Ismail, Mike Malone & Yuri van Geest
- From Holy Grail to Structured Fail (2016) Tim Vang
- How Organizations Manage Crowds (2018) Lars Bo Jeppesen, Linus Dahlander & Henning Pierzunka
- Imagine it Forward (2018) Beth Comstock
- Innovator's Dilemma, The (2013) Clayton M. Christensen
- Lean Startup (2011) Eric Ries
- Machine, Platform, Crowd: Harnessing Our Digital Future (2017) Andrew McAfee, Erik Brynjolfsson
- Pretotype It (2011) Alberto Savoia
- Sprint (2016) Jake Knapp
- Startup Way, The (2017) Eric Ries
- Wisdom of Crowds, The (2004) James Surowiecki
- Zone to Win (2015) Geoffrey A. Moore

Abbreviations

Artificial intelligence - AI
 Augmented Reality - AR
 iPhone Operating System - iOS
 Application Programme Interface - API
 Business-to-Business - B2B
 Chief Executive Officer - CEO
 Chief Financial Officer - CFO
 Chief Information Officer - CIO
 Danske Statsbaner - DSB
 Emotional Intelligence - EQ
 General Electric - GE
 Gross Domestic Product - GDP

Human Resource - HR
 Intellectual Property - IP
 Information Technology - IT
 Key Performance Indicator - KPI
 Machine Learning - ML
 Massive Transformative Purpose - MTP
 Minimum Viable Product - MVP
 Research and Development - R&D
 Riskiest Assumption Test - RAT
 Three Dimensional - 3D
 User Experience- UX

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BaneDanmark
CHR Hansen
Copenhagen Airport
Danish Road Directorate
Dansk Industri
Danske Spil
DLG
DSB Digital Lab
HedeDanmark
HYVE
Industriens Fond
Ingemann
ISS Group
Kræftens Bekæmpelse
LEGO
LEO Innovation Lab
Meyer Contract Catering
MOE
Netværk Danmark
Njord Law
Sahva
SEAS-NVE

Consumers are taking control, industries are going digital, new business models are rising, and giants are struggling to stay in the game. However, amid this disruption, we believe that businesses today are presented with an opportunity of a lifetime for everyone bold enough to embrace these revolutionary changes. We have looked towards the startups who seem to have found a new successful formula where strategic, rational, innovative thinking, and entrepreneurial execution play together to form agile business strategies with rapid execution and learning organisations. The Corporate Garage Approach is a guide for companies to transition towards this new way of strategic thinking. The path to Accelerate Growth.

“Every company, big or small, should leverage the Crowd to accelerate growth. The Corporate Garage Approach is a powerful and hands-on way for using the Crowd for generating ideas, Rapid Market Validation, and building solutions.”

Johan Füller, CEO Hyve AG - The Innovation Company, and Chair of
Innovation & Entrepreneurship University of Innsbruck

“High ambitions, clear focus, and the right Growth Toolkit is critical when engaging in new ventures within an established corporation. We aspire to radically transform the way we do business, and this book offers insights on how to achieve just that.”

Lars Kastrup, Head of Sales Tradelens, Maersk

“This book will help you reframe your innovation mindset, adopt new ways of working and accelerate growth. Once you’ve seen the effects of the Corporate Garage Approach there is no turning back.”

Line Ghisler, Digital Lab Kick-Starter & Digital Sales Director at Danske Spil

“A must-read intro to agile and impactful innovation - well-written, thought-provoking and jam-packed with useful insights.”

Kristoffer Nielsen-Refs, Digital native, Ex. COO & Head of Product, Blue Labs
(Corporate Startup within SE Corporation)

“Staying nimble and agile while scaling rapidly calls for new ways of leading and executing. This book offers straight forward learnings and insights to achieve just that.”

Thomas Zeihlund, Head of Mature Markets & CFO Too Good To Go

“We believe that the Corporate Garage Approach is a great way to drive innovation and increase competitiveness for Danish Companies.”

Mads Lebech, CEO TryghedsGruppen

“A must read for anyone wishing to build a Corporate Garage!”

Tendayi Viki, Author of The Corporate Startup



THE CORPORATE GARAGE