

Top innovation management for mature technology firms

How might mature companies break through the exploitation glass ceiling and create new, uncontested growth streams? Seven steps to ignite innovation.

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We tend to associate innovation with newly created companies in technology fields. Tech startups can innovate and grow rapidly without legacy systems holding them back.

Yet, as companies become more established, they have to overcome significant obstacles to sustain innovation. Traditional firms in mature segments face more challenging conditions, including stagnant or moderate growth projections combined with a large market to defend. Older companies tend to innovate only incrementally, exploiting their existing product and market positions. The result tends to be innovation that is constrained by the "exploitation glass ceiling."

To figure out how to break through this ceiling, Joan Badrinas of Universitat Politècnica de Catalunya and [Joaquim Vilà](#) of IESE studied six successful companies, headquartered in three different European countries: Finland, Germany and Spain. Their [study yields seven steps to ignite innovation](#), together forming an integrated innovation management system.

Six case studies

With annual sales ranging from 30 million euros (for a regional industrial construction player) up to 10 billion euros (for a multinational energy provider), the six case studies analyzed by the co-authors met with varying degrees of success managing innovation.

The co-authors conducted dozens of interviews and looked at publicly available data to

evaluate each of the company's culture, leadership, resources and processes, as they related to innovation. To structure the research, the co-authors use the Product Innovation Management Standard, a joint venture of the Product Development and Management Association (PDMA) and the Total Innovation Management (TIM) Foundation, with adaptations based on the innovation guidelines of IESE.

Two of the six companies studied earned the author's top marks. The aforementioned energy provider managed to create new revenue streams to offset its mature business lines' decline. Meanwhile, the smaller construction company transformed its business model and gained market share from competitors, moving from 6th to 2nd place and maintaining profitability during a severe market downturn.

Seven steps to growth

Through this research, Badrinas and Vilà identify seven key actions for breakthrough innovation, with the most important factor first:

1. **Prioritize CEO commitment.** Top management's commitment to innovation is a core requirement. "This factor seems to be the cornerstone on which any robust innovation system is founded," the co-authors write. Management needs to understand that innovation is not merely add-on or a privilege. In the successful firms studied, CEOs and executive board members "acted as leaders of the innovation journey, were passionate about the vision and personally involved in implementing the organizational changes to make innovation possible," they explain.
2. **Acknowledge stakeholders' influence.** Be proactive in communications with employees, customers and other stakeholders to monitor their needs and expectations in the innovation process. Openly and actively communicating with employees, for example, earns their trust and engagement.
3. **Revise the corporate mission statement** to refocus the firm's vision and identity. Even while maintaining core values, revised mission statements can set a new frame of reference and create consistency between the intentions of the company and the innovation projects.
4. **Have an innovation strategy that sets priorities and goals**, while also defining boundaries in terms of markets, technology, business model, alliances and financial constraints.

5. **From the top**, *delegate operating authority* while maintaining responsibility for leadership. Communicate strategic goals to all levels of the organization.
6. **Assess the adequacy of resources, people and competencies** to execute new innovation plans. Make changes as necessary; hiring people with needed skills and letting go managers may be necessary.
7. **Go beyond merely brainstorming** by implementing a process of idea generation, selection and conversion, known as "front-end innovation," which links strategy and purpose with project and initiative development.

Innovation as a process

The seven steps above cannot be treated in isolation, the co-authors warn. At successful firms, the steps are interrelated, creating a system. "It was a gestalt, the overall framework with its contents and processes, that energized and guided top management and operating teams to progress in search of new growth streams," Badrinas and Vilà emphasize.

The innovation process "is to be constructed of interrelated activities and responsibilities, clustered around the four constituent building blocks."

First, the fundamental question "why innovate?" is answered. This requires keeping a medium- or long-term view. Here it is crucial that the top management firmly challenges the status quo, as change will be required.

Second, it's about directing innovation. This involves signposting the company's new direction and guiding staff efforts in search of innovation opportunities, towards exploration as well as exploitation.

Third, management guides the process of innovation by reviewing how available competencies match requirements and clarifying who needs to do what.

Fourth and finally, it's about front-end innovation and the change itself. This is where innovation outcomes begin to be seen.

Shattering the innovation glass ceiling should be a goal for any mature industrial technology company that wants a bright future. By applying a consistent and coherent innovation system, new growth streams can become a reality, the co-authors posit.

More info

"[Normalize innovation to transform your firm](#)" from *IESE Insight 14 (Q3 2012)*.

www.iese.edu/insight