Corporate Innovation

A Playbook for Designing, Launching & Optimizing a Corporate Innovation Group

presented by peer insight
We conducted a listening tour with over a dozen innovation leaders at large organizations to understand how they’ve thrived, or fumbled, in establishing their innovation groups. This playbook highlights their strategies and hard-won learnings, and builds on our perspective from working with a wide variety of innovation groups over the last 14 years. Inside, we share some of their stories and we also provide checklists and a “you are here” guide that aims to enable you to take these insights and assess where your team might focus its efforts to ensure long term success.
Corporate Innovation Groups (CIGs) are charged with making new, high-risk possibilities a reality. They are often outfitted with separate “lab” spaces and some degree of autonomy to explore new opportunities. Some groups have successfully innovated by taking measured risks their executives could tolerate; others, however, fail to remain relevant.

Over the years, we have had corporate innovation leaders ask us:

“What pitfalls are coming down the road that I don’t know about yet?”

“I have peers in other firms whose groups have been shut down, or repurposed. Is this common? How can I learn from their mistakes?”

“I read about other innovation teams, but only really hear about what they produce...how can I learn more about the procedural tips and tricks that got them there?”

So Peer Insight hit the road to talk with insiders who have lived through the ups and downs of setting up and running Corporate Innovation Groups (CIGs) that are tasked with exploring adjacent and breakthrough growth opportunities for their respective organizations. Building on our 14 years in the field, we investigated the success and failure modes of CIGs and identified ways teams can build a more resilient innovation capacity at their organization.

Our goal was to answer the fundamental questions we hear most from corporate innovation teams. In this way, this report is neither a run down of the biggest, flashiest innovation groups nor a static “best of” list. Rather we’ve taken at a look at the evolution of a diverse set of CIGs and parsed out the things that uniquely develop over time, or often have unforeseeable downstream consequences. We began to use the experiences of our interviewees to set strategies for avoiding those key, often internal, risks.
Top 3 Themes

In talking with CIG insiders, we heard so many insightful stories and perspectives. From all that was shared, these three themes continued to rise to the top for most.

1. Internal Risk vs. Project Risk

It’s hard to talk about innovation and not hear the word risk! But we hoped these interviews would shed light into how this word is used and what it truly means inside corporate innovation groups and the organizations they serve. Each interviewee had a different frame for risk, a different way they thought about it—but there was one pattern that emerged for all of them: Risk can be divided into two types: PROJECT risk & INTERNAL risk. Both are important, but require distinct strategies to manage. Here are two stories we heard that describe the difference:

“Our team was responsible for taking a customer insight into reality as a new service our firm offered. We tested the idea with our customers and they said they liked it, and we tested it in higher and higher fidelity and they liked it. And then we had a service that was high enough in its fidelity that it was ready to go into the business unit. So only then did we test the business model—what would customers pay and what would it take us to deliver against that over time. At that point we realized we couldn’t deliver the project at the price point, so had to start over. The risk was that our project hadn’t tested the business model early enough.”

“Wow, we were impressed with ourselves— we felt that we’d done everything perfectly in terms of exploring and testing a new service we were offering around diabetes prevention, and then testing in-market, testing channels and revenue models and how to deliver the new service with partners. The service was stellar. It aligned with our overall mission as an organization. But new leadership came in right at the end of the project, and the project was beyond the guardrails of how much the company was willing to stretch. The new service had high marks externally, but not internally. We realized this boiled down to communication & accountability—the nuances of which we should have seen coming, but were so focused on getting the project itself right.”
2. Offense & Defense
When managing risks, it’s good to be on the offensive—seeing risks well in advance, and taking an early, proactive approach to mitigating them. Unlike in other sports, defense in innovation doesn’t always win championships! On this topic, we heard innovation leaders wishing they had played more offense around a handful of critical topics and elements early, because not seeing certain things coming resulted in being stuck playing a purely defensive game later on.

One of the sticking points we heard is that it’s hard to make the space to play good offense. The culprit often ends up being errors of omission—steps that were skipped, questions left unanswered—rather than errors of commission. And if no one is directly asking for them, why stop the more fun part (i.e. the actual project) to get them answered? As our interviewee working on the diabetes-prevention service describes:

“As we all know, measuring ROI in innovation is tough. We were in our early stages and hadn’t really had to confront this yet, and leadership wasn’t really asking about it. So we put our heads down and focused on testing the service with users. Then the question of ROI came up in the 11th hour by a new executive and the project was shut down.”

Throughout our Listening Tour, we heard innovators tell us what went wrong downstream and we went back, listened and found patterns of those upstream omissions, those I wish I would have’s. More detail on that to come. You’ll see details of those learnings in the form of “offensive checklists” throughout the Playbook.
3. Incubate the Incubator

In our conversation, an innovation leader from a consumer goods (CPG) company coined the phrase “incubate the incubator” in explaining how to listen for signals from within and shift accordingly (for success, and sometimes survival). They embodied the mindset that the innovation group itself is a new entity to the organization, a new minimum viable product for the organization to test. In that vein, many of the innovators we interviewed seemed to align with those notion of creating a “good enough” MVP of the innovation function, and then being clear with leadership that it would evolve over time to meet the needs of its customer (the organization), just as a lean startup would. As a CPG innovation leader put it:

“The first couple of board meetings, they had said that they wanted something farther away from the core business, but when we started presenting opportunities like that, it’s not really what they wanted. They wanted stuff to be much closer to the core. The three initiatives we have right now are closer to the core than I would have imagined them when they started. They’re not exactly in the core. The way I approached it was, okay, in the short term, it’s not exactly where we wanted to be, but I had to get the legs under the incubator to get the confidence of the board that we were delivering value and hopefully to get permission later on to help move the board to something farther beyond the core. I started using the phrase “incubate the incubator” because it’s one thing to philosophically agree at the beginning what you’re going to do, but once you get into it, it becomes real and then the thing you said you thought you wanted is not the thing you really want.”
CIG Journey Overview

The innovation leaders we interviewed noted that these are the most common, most critical steps and tasks involved in standing up and running an innovation group.

This framework is a working architecture based on their insights. While it might seem linear, it is in fact circular. Further, our innovation leaders showed us that there are loops or activity within the greater loop, and that you might go through a few rounds within each phase over time. As an example, one innovation leader said:

“We revisited our purpose and the goals our firm had for our innovation team with each new leadership team, as our capabilities and our marketplace evolved.”
We offer this architecture as a way to digest the insights we heard. The takeaways might be useful in isolation, but they are much more powerful in context. We hope this scaffolding helps provide you a sense of “you are here” - because we heard from innovation teams that they wish they knew better how their past informed their future (the gifts of their current hindsight!) and what lies ahead. They told us repeatedly that not addressing key issues upstream came back to haunt them downstream, a sentiment that was the inspiration of the “offense & defense” theme. Good offense forges new strategic paths, whereas defense ensures you don’t lose the ground you gained.

So let’s begin our journey...
We heard from innovation leaders that they would tell their “younger selves” that the prepare stage included some of the most important questions to answer alongside your executive team:

“Why does this innovation team exist?”

“Who is responsible for its success or failure?”

“How will we know we’re driving results for the business?”

They noted that not answering these questions created some of the most serious downstream consequences. As one innovation leader shared:

“Early on the charter was fairly fluid and low risk to the business. It’s not about measuring value upfront...you’re given more leeway because you’re small. The charter almost doesn’t matter [at first]—it’s ‘go play and explore.’ But over time, when you have a 100 person team across three locations, it becomes riskier because they’re paying more attention. The charter fitting into the larger business becomes more important.”
Setting the Innovation Group’s Strategy

We heard loud and clear the importance of putting a stake in the ground on the strategic purpose of the CIG. The CIG must define its role in serving the greater organization, while not overcommitting to too many jobs. Align on one or two very clear roles the CIG will serve for the rest of the organization, and what “success” looks like for these roles.

Insights from the listening tour led us to consider the following as a “checklist” to help you note how far you and your executives have gotten in terms of answering, or at least discussing, these questions early on:

**Offense Checklist**

**Playing Offense strategies to better manage risk**

- Why does this CIG exist?
- How does the CIG mission tie to the firm strategy?
- What do we do that is unique?
- Are there other parts of the business focused on growth as well?
- How do we differ from them? How do we coordinate with them?
- Who is responsible for its success or failure?
- How are they held accountable?
- What incentive does the business have to work with us? Why should they?
- How do we decide what to work on and what not to (what’s in/out of scope for our portfolio?) Why?
- Will we take an inside-out approach (addressing preexisting strategic goals), or an outside-in approach (where our main function is R&D - looking at outside tech, startups, and trends)?
We also heard from the innovation leaders we spoke with that there are many things to “watch out for” at this stage. It’s easier to play defense when you’re aware of the things that might lunge at you:

**Defense Checklist**

**Watch-Out-Fors**

**biggest risks at this stage**

- **Underspecified goals**: In the early stages of the innovation group it can be easy to zoom forward without long-term goals, but we heard teams talk about how failing to specify their goals ensures missing them later.

- **Overstretching the “jobs” the CIG is responsible for in the greater organization**: Project work AND teaching the rest of the company about innovation AND leading cultural transformation is likely too big a burden for a CIG to bear at the start. Get one right, then expand to the others are you learn and grow.

- **Mis-stated expectations**: Beware of “reach for the moon!” directives, specifically when not tied tightly to the firm strategy. The organization might actually want or need less transformative innovation at the outset.

- **Leadership’s lack of knowledge, tools & practice in how to lead innovation teams & efforts**: Supporting innovation work is fundamentally different than supporting the core business, and leaders need to adopt a new mindset - like that of a venture capitalist (VC) - in order to:
  - Advocate for projects rather than judge them.
  - Help innovation teams manage risk. When risk management protocol is not discussed or underspecified at the start, this often leads to disappointment, or worse, down the line when leadership decide they won’t scale projects because of risks not earlier specified.
Funding Innovation

Right alongside the strategy conversation is one about how the innovation team is funded both as a whole and on a project basis. As you know from experience with the core business, people are incentivized and act in accordance to their source of funds. The folks we spoke to said this is really important to discuss early, and also to consider ways to make the CIG distinctive in this regard by reframing "budgeting" as "investing," as one leader describes:

“What we’re doing is investing, which is fundamentally different than budgeting...we’re asked to force an investment process into a corporate budgeting exercise. We don’t have a budgeting process that is optimized for investment like a VC would, and so that is incredibly challenging because we have a lot of perverse incentives.”

Here are some questions to ask yourself as you’re considering funding and budgeting for the innovation team:

**Offense Checklist**

Playing Offense strategies to better manage risk

- Who will fund us now? In 2 years? In 5 years?
- How will we justify our ROI against other strategic priorities of the core business?

- What have we done to remove the wait times for funding, so that projects don’t wither on the vine waiting for resourcing decisions to be made?
- What core lines of business are willing to co-invest in a successful project?
The last checkbox on the Offense Checklist was around connecting to the core business. Here’s how one innovation leader described it:

“I’d have folks in the business who would want to come work with me and the innovation team, but they wouldn’t put any of their resources to it YET. I would say “I can’t start until you put funding in.” And I would make ’em invest something really precious, because that served as a concrete way to know that they were serious about seeing these kinds of projects through. We needed them to have skin in the game. My innovation team would say ‘Come on, let’s just get going ... Put us in the game we can do this. We don’t need the core business just yet!’ But my point of view was that I need 100% commitment from the business upfront. I would ask them a question. Is this in your long-range plan? Are you making promises to senior management about getting this done?” They would say, “No.” And I would say, “OK, I’m not starting the project.”

This was his point of view about making sure that he was building a successful project, and thus a successful innovation function, from day one: to have an internal client who has committed to scaling the innovation work once it’s left the CIG. Because you need the business units to stick with it and fix whatever’s not working, to help iterate and evolve it in the organization - because a project can’t just be the innovation group’s “baby” - it needs to be seen as the business’s “baby” too.
While setting strategy and determining funding, teams research and design their CIG

Most of the innovation leaders we spoke with researched or visited other innovation hubs, but tried to take the best of what they saw and integrate it with their innovation strategy and vision.

Many newer innovation groups discussed the ups and downs of preconceived notions of innovation teams and how to consider your unique organization as you design your innovation team. In the case of one leader of a new innovation team, she noted an initial reaction to her group:

“People will say, ‘I’ll do a design sprint with you, but don’t bring pipe cleaners, because people will walk out and think this is crap.’”

Folks stressed the importance of thinking like a startup in terms of using the money you have to prove you provide the value that you committed to in your CIG mission.

- Over-spending: As one innovation leader said:

  “Even though we said we were a startup, we didn’t act like a startup. We didn’t do things scrappy or cheaply first. It was a drop in the bucket for what our company’s assets were, so it was easy to justify. We didn’t have enough volume of ideas that started small - we spent money and jumped the gun on ones that weren’t proven out.”

- Going It Alone: Keep an eye out for weak or lacking signals that business units will allocate funding to CIG projects they want to scale. Co-investment is a key long-term success factor.

- Under-resourcing and over-expecting: If a CIG (or the leadership they report to) wants 10 projects in the market after 2 years, and you have only 5 people on staff and no permission to hire more...you’re not set up for success.
PREPARE PHASE

She notes here, with culture fit as the concern, that there will always be custom-to-your-organization expectations to be managed, and that both your offerings and how you interact with the business units is a critical design component to consider. In brief, design for the context in which you will be innovating, not based on an aggregated theory of what “success” looks like elsewhere out there in the world.

At this stage in the journey, our participants were considering the following in designing the blueprint for their Corporate Innovation Group:

**Defense Checklist**

**Watch-Out-Fors**
biggest risks at this stage

- Trying to copy another company’s pre-existing model: Some said that they originally were wowed by long-tenured innovation teams and trying to mimic them. Instead, they learned to borrow best practices from several models and then to make one bespoke to their company’s needs.

- Spending too long in the design phase: This was a common wish-I-would-have-done differently - innovation leaders admitted to overemphasizing the (less important) details and delaying the CIG launch because something wasn’t quite “right.” This hindsight of knowing they would have to “incubate the incubator” and pivot their CIG thinking & processes was valuable.

**Offense Checklist**

Playing Offense strategies to better manage risk

- Are we maintaining the “right kind” of distance from the core? Are we stretching our company’s traditional way of thinking, without building projects that our company is not equipped to scale?

- Do we have the right transparency to the rest of the business (and they to us)? Do we have the right buffers in place?

- Have we studied the landscape of CIGs, mapped the precedents, outlined choices, and then designed a custom CIG that best serves my company’s needs?
Using the strategy, funding, research and design, the CIG gets built

Innovation leaders described three big decisions to weigh when building out the CIG:

1. **Connection to the core business:** It’s critical to have very clear partners in the business who will fund and scale the work of your CIG. CIGs should create early connective tissue to the organization, and know the strongest, least resistant channels for an opportunity. It is critical to have upfront, unambiguous evidence that partners in the business will both support and, as appropriate, receive the output of the CIG. For example, if they’re willing to give you precious resources towards your project, you have concrete evidence that they’re bought in to seeing this project through to the finish line. Both innovation teams and business leaders need to be set up for success on how they can best serve one another throughout the course of innovation projects’ growth.

   “Make sure you’re building your project from day one and have an internal client who has committed to scaling it.”

2. **Talent:** The innovation leaders spoke to the importance of great talent, to be sure. But the more nuanced takeaway from leaders was that best-in-class talent is necessary, but not sufficient, for CIG success. It is understaffing that can really do the team in, as well as a lack of diversity of backgrounds. Innovation leaders noted how critical it was to strike a balance of innovation experts and those who deeply understand the larger organization. An interviewee told us,

   “It can’t be ‘us vs them.’ Can’t be the cool kids vs everyone else. It’s got to be a blended team of different folks who have certain skill sets that they’re bringing, and people who know the business better, and having those being joint teams.”

3. **Mindset & Processes:** We all know too well how easy it is to get mired in closely held beliefs and traditional orthodoxies. CIGs feel this acutely - when an organization creates its own innovation group, institutional biases and norms can easily creep in, regardless of the best of intentions. Also, innovation leaders spoke to the risk in over-reliance on new tools and methods. The large insight was that a human-centered design approach (or Lean Startup, or whichever specific toolkit) is necessary, but not sufficient, for CIG success. Picking the winning toolkit wasn’t nearly as important as figuring out how to practice it inside your organization.
As one innovation leader inside a large innovation team described,

“I always assumed that the hardest part of innovation is getting the core of the company to really understand innovation, and understand that you need to take risks and things will always work out, that you need to constantly be shifting and changing. I thought we’d have to remind them constantly. We do have to do that, but I’ve been surprised - the leadership kinds of gets that. It’s abstract, but they get it. That’s not the hard thing. What I’ve been surprised by is that even within the lab, we’re still fighting to avoid those exact behaviors. We actually ended up building an innovation team that still kind of acted like a big company, by virtue of having been built by a big company. I just assumed the innovation team would do things totally different, it’ll be so different and so game changing.”

As this stage, they were considering the following in building their Corporate Innovation Group:

**Offense Checklist**

**Playing Offense strategies to better manage risk**

- Are we striking the balance of bringing in fresh perspectives while maintaining a healthy connection with the organization?

**Defense Checklist**

**Watch-Out-Fors biggest risks at this stage**

- Failing to achieve a diversity of backgrounds when staffing a CIG: Innovation teams must strike a balance of innovation experts and those who deeply understand the larger organization.

- Getting mired in closely held beliefs/traditional orthodoxies: When an organization creates its own innovation group, institutional biases and norms can easily creep in.

- Believing that hiring best-in-class talent will inevitably lead to CIG success: Great talent is necessary, certainly, but not sufficient for success!

- Believing that a Lean or a Human-Centered Design approach will save the day: If only it were that easy! No specific product/service-development approach will be the make-or-break for success.

- Under-staffing innovation teams: CIGs agreed this is one of the easiest ways to ensure innovation projects won’t get completed, or executed well, thus never fully setting up your organization for success in this realm of growth.

And now the rubber meets the road, time to take it live...
LAUNCH

A major theme in our Listening Tour was that the folks we spoke with noted that so many great insights came from their very first projects in their CIG. They looked back on this period with nostalgia, and also with a considerable amount of critical lessons learned. Our interviewees noted it as a unique and key phase in their journey, which is why we pulled it out as its own step - to share their hard-won insights with you.

In listening, one of the nuances of the Launch phase was that many of the “Watch-Out-Fors” that you see also have some positive side effects:

- Having to say “no” to work means you’re POPULAR! And who doesn’t like that, especially a newbie CIG?

- Are those execs really ready to “go big?” In the beginning, not enough time has passed for leadership to be really paying attention...YET.

- After spending so much time setting up this new function, it’s hard to stop at this stage for MORE tough questions to consider. The CIG is eager to get started. This is the entrepreneur’s dilemma - it’s tough to slow the pace to learn, but you must.
LAUNCH PHASE

The other thing to note is that until this point in the CIG’s journey, they have been focused on internal risk. Now projects are starting, so the CIG is juggling both project risk and internal risk - a tough balancing act. We thought this story from an innovation leader said it well:

“Everyone on the board started out with an understanding that we’re going to work in a new way, it was learn and iterate and all that. Everyone said, “We’re going to do that.” We got about six or seven months into identifying the opportunity, got an MVP, got it quickly to market, learn at every rate, and the executives didn’t like it. They wanted more due diligence, more market analytics, more, more, more upfront before we did anything. Within seven months, I had to redesign the front end to align.”

Innovation leaders described two important parts of the first year of launching a new CIG:

1. Starting projects (the kick-off)

Innovation leaders we spoke with gave the advice to start small with project work, rather than getting inundated straight away with too many projects, stretching scarce resources too thin. They reflected that it is tempting in the beginning to see the volume of the workload as a sign of popularity and early success, but at the beginning it should be about getting things right. This will ensure that down the road, demand will always exceed supply.

One innovation leader described the importance of creating your own definition of an “early win”:

“At the beginning, we were like, ‘Why are we doing this project? Why does it matter?’ And our leader would say, It doesn’t matter, let’s keep moving!’ We wanted early wins, so it makes sense...but at the time it’s like, ‘what project do I do?’”

The CIGs noted that the launch of project work is when a CIG should hold its ground, ensuring all project work:

- aligns with its strategy, role, and purpose of the CIG
- focuses on how to set up to one day be adopted by the core business and to generate revenue
LAUNCH PHASE

Playing Offense
strategies to better manage risk

- Do these first couple of projects fall into our portfolio and our charter?
- How will we measure their success throughout?
- How will they help us learn more about the CIG itself?

Playing Defense
Watch-Out-Fors
biggest risks at this stage

- Getting stuck in the details: It’s easy as you launch the CIG to get stuck on, or being overly obsessed with, the minutiae of how the CIG should operate, instead of getting a venture up and running. Our CIG leaders advised to build the minimum scaffolding you need, run a project, and let a project inform how to finish the “building” of the CIG.

2. Growing the CIG portfolio (connecting to the business)

The innovation leaders we listened to noted the importance of having a (conceivable) landing place within the business where the innovation project can be scaled if it’s successful. In other words, eventually the project will need to exit the innovation group and become part of the core business, but can only do so if there’s someone identified on the other end who is equipped to receive and scale it. Successful CIGs used this thinking to protect against taking on the “wrong” projects, or projects that distract from the primary roles the CIG intends to fulfill.

And in the launch phase, they often chose projects that leveraged some of the company’s core capabilities, so that their successful early projects could feasibly be scaled once they left the CIG. As one innovation leader learned the hard way:

“When it comes time, businesses don’t know how to scale the projects that come from innovation labs, and they don’t have the assets to scale ‘em. Then they become failures and they were failures from the outset because they weren’t conceived to leverage the strengths that the company has.”
LAUNCH PHASE

**Offense Checklist**

Playing Offense
strategies to better manage risk

- Are we working on projects that are aligned with the business’s strategic goals?
- Are we working on projects that leverage our business’s pre-existing capabilities for scaling?
- Are we sourcing projects in the right way?
- Does the business have skin in the game (ie, willing to put money up) for each project?

**Defense Checklist**

Watch-Out-Fors
biggest risks at this stage

- Hesitancy to “go big”: Lack of actual willingness from the company for the CIG to “go big” and potentially disrupt the business
- Leadership “walking the walk”: Lack of upfront evidence from senior leadership that they’re willing to “walk the walk” with individual projects, which includes taking on risks, and funding the scaling of projects if they’re successful
- No discovery of the path to revenue: Most innovation teams admitted to testing business + revenue models too late, and so the soft launch really had to pivot, which was detrimental to the project and CIG success.
- Under-leveraging core strengths: Many CIGs wished in hindsight that their first project or two had focused on a quicker win through leveraging existing technology, in order to test the methods with a bit less risk than everything being brand new in the project.
- Being unable to say “no”: It’s important during launch to stay focused on work that fits into the vision/mission of the CIG.

Now you’re up and running...
You’ve launched and now the CIG is truly up and running. Regardless of sector or industry, the innovation leaders we spoke to noted this time period as marked by these commonalities:

- **Iteration happens for the first time here...** one of the hardest new practices for an organization to adopt.

- There is a **strong pull to play defense only** here and not make the space to revisit the offensive strategies noted earlier in this Playbook.

- To ensure success, this is the critical stage at which to employ the mindset that new ventures, like startups, **need advocacy, not judgment.**

- It’s where you get your first **evidence** of whether your actions and projects as a CIG align with your strategy & organization’s expectations and risk tolerance.
RUN PHASE

As one innovation leader described: “We are not that risky, but that’s what makes it risky.”

This statement summed up the run phase for many of our listeners. Many CIGs had a false sense they were doing fine in those first couple of years running projects - in fact, they were not practicing managing risk but rather just avoiding it entirely, thinking this would lead to “easy” success without offending the risk aversion of the core business. In this way, it felt like they were avoiding risk, but really they were losing out on the upside of engaging fully in their role as a CIG: managing project and internal risk in order to create new value and revenue streams. They were not “destructive” to their organization, but they were missing out on creating meaningful growth opportunities for their company, which in fact could make the CIG look like it was failing on two fronts.

We heard from innovation leaders that running their CIG included five main activities. Their order often varies, but it’s important to consider how they influence each other.

1. Watch & Learn

This activity was ongoing and innovation leaders described it as their managing of the internal and project risks. In this way, they noted this is where they found it important to constantly be checking their assumptions and hypotheses for both projects and the CIG itself. So WATCHING the data and pivoting off those LEARNINGS to generate new tests, tracing this naturally winding narrative throughout. One of our innovation leaders described how important it is to WATCH for both confirming and disconfirming data:

“Accurate bad news is infinitely more valuable than inaccurate good news”

Defense Checklist

Watch-Out-Fors

biggest risks at this stage

× Avoiding share-outs with management and/or sponsors in between major learning points: the CIG leaders we spoke with noted the importance of avoiding meetings in between running tests, while you were waiting for data to come in. Inevitably in the meetings, results needed to be shared, putting the CIG in the position of saying “here’s what we have right now, but better results are coming soon as we finish this round of testing.”

Offense Checklist

Playing Offense

strategies to better manage risk

○ What learnings can we extract from the validation process, and disseminate back to the organization?
2. Measure Your Project Portfolio

Innovation leaders noted two key jobs needed for measurement:

- Metrics should cast ahead of the venture, rather than be retroactively applied. CIGs and leaderships should practice VC-like forethought and question-based advocacy, i.e. “Three months from now, prove to me this…”
- CIGs should define measurement timeframes with a risk-calibrated, milestone-based approach. New ventures in the CIG portfolio should receive funding to validate key learning goals, and then reassess within the pragmatically-defined time frame.

The story at the beginning of this Playbook described how one ‘perfect’ project failed far down the road because there was never a ROI conversation with leadership earlier. This was a theme across CIGs, as one innovation leader noted:

“Why would you invest in a startup seed venture when you know it doesn’t fit your follow on investors’ investment model? It’s gonna be a bridge to nowhere.”

**Offense Checklist**

Playing Offense strategies to better manage risk

- How can we run projects more like a VC would? What are the short, but reasonable milestones we’d put in place?
- What will the eventual owner in the business want and need to know before taking this project on?

**Defense Checklist**

Watch-Out-Fors biggest risks at this this stage

- Under or over-measuring: Too much measurement can suffocate projects and reduce a project portfolio to incremental innovations, and too little leaves room for being blindsided (and sunk) by ROI requests down the road.
- Vanity metrics: Impractical or imaginary (i.e. impossible to have) data are dangerous - focus instead on the variables that feed the eventual success measures. For example, you can know lifetime value without knowing what lifetime is, but you can know whether lifetime is increasing - such “indicators” can boost investor confidence without creating risk by arbitrarily filling in the metric blanks.
Innovation teams noted how hard it is to adopt a new process and mindset for measurement. As one interviewee described the challenge:

“Leaders need to take responsibility too, leadership didn’t set us up. They didn’t have a learner’s mindset about innovation and how it’s different from how we’ve managed business thus far. They really failed in that respect. And that set us up for failure too.”

### 3. Grow our Operations & Portfolio

Several innovation leaders commented on the multiple dimensions of their strategic leadership role in their CIG. Part of their responsibility is to grow the CIG itself, balancing internal dynamics with external ones, and part is to manage the mix of projects in its portfolio building on successes and learning from failure (also, stopping failures, a point we return to later).

One innovation leader described how she wished she had managed her portfolio:

“We didn’t get a large enough volume of small ideas, so instead in our portfolio we spent most of our money, and jumped the gun, on big ideas that weren’t proven out.”

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**Offense Checklist**

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**Playing Offense
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- How should we pivot our portfolio choosing based off what we learned?
- What’s the optimal mix of incremental, adjacent/breakthrough and transformational in our innovation portfolio?

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**Defense Checklist**

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**Watch-Out-Fors
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- Competition with non-CIG groups, and/or ‘Innovation Envy’: Ultimately, the core business and the innovation group need each other to survive, so watch out for signals from other parts of the business about the CIG.
- No churn or growth in the CIG or its project portfolio: Both the CIG and its portfolio need a healthy amount of dynamism - stasis is the enemy of innovation success in that it doesn’t signal or begat more growth.
4. Re-fund

CIG leaders highlighted the critical step of securing funding, for projects and the CIG both, in order to maintain projects, and the team itself. And how this step often led them back to the first phase - aligning on its strategy and reason for existence. This is often a step that comes attached to a change in executive sponsorship, as one innovation leader described:

“One of the reasons we put revenue to the background, because we were told that it didn’t need to generate revenue, but then a new leadership team came in and said that it needed to be revenue-generating, if not, you’re done. I don’t think I thought about that - asking, ‘is this still the mandate?’ with new leadership. Our approach was to get him up to speed, when maybe we should have revisited it with him. We should have asked - ‘What are your goals, and let’s talk about how we can serve those.’”

Offense Checklist

Playing Offense strategies to better manage risk

☐ Who are the decision-makers in the broader business, and what are their success metrics?

Defense Checklist

Watch-Out-Fors biggest risks at this this stage

☒ Over-funding in the face of failure: Innovation teams described how the challenge of not continuing to fund a project that is gathering a good amount of disconfirming evidence, and thus not yielding the right results. It will quickly suck-in resources that should be used elsewhere in the CIG and harm the CIG’s reputation of financial prudence.

☒ Under- or un-funding in the face of success: CIGs talked about the downside of not funding projects where the confirming evidence from in-market tests are strong. Projects can die while waiting for funding if the process isn’t set up to help them keep running through the organization’s funding stages.
RUN PHASE

5. Optimize

Innovation leaders noted their responsibility of scaling up to a 10,000 foot view to look and see how their CIG was working at a strategic level. From that vantage point, they were able to note unique learnings about the CIG as it sat in their own organization. One innovation leader noted that she learned:

"ROI isn’t a blanket measure of success because it didn’t measure everything that we learned. We discovered a huge engagement play with our customers that our company was directly looking for—how do you measure that? If you applied ROI equation before you had the learnings mapped out, it looked like the project was a failure."

And others uncovered what they needed to think about next:

"One project was actually doing pretty well. It was getting traction, people were using it and found it easy to use. It was able to be profitable. The problem was that no one thought about what if this actually works? What if it starts to steal people from the core product? There wasn’t an, ‘If it works...then what?’ conversation. They ended up pausing it quickly."

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**Offense Checklist**

- Playing Offense
strategies to better manage risk

- Are we continually de-risking our projects (through research, revenue modeling, and in-market experiments), or are we adding risk (by working in a non-iterative manner, or leaving make-or break questions to be answered “later”?)

- How can we ensure that our portfolio is diverse enough?

- What type of talent can we attract to meet our future needs?

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**Defense Checklist**

- **Watch-Out-Fors**
biggest risks at this stage

- Setting unrealistic timelines for learning goals to be reached: CIGs noted how easy it was to commit to results before they could reasonably estimate the time to deliver. This is a classic, shoot-yourself-in-the-foot-move that was common. In hindsight, innovation leaders wished they had bought time by delivering only as far into the future as they could reasonably see through their tests.

From time to time, the CIG needs to reframe, pivot or otherwise reset
Earlier in the Playbook we noted how one innovation leader on our tour called this step “Incubating the Incubator,” referring to how his CIG had to change and adapt to the needs of leadership and the organization over time. Though this CIG labelled it, most of the folks we spoke with exhibited this behavior, but didn’t note it as an explicit practice. However, we heard it enough to feel it warranted its own step, to call out best practices and tips and also to highlight the “meta” nature of iterating on the innovation team itself. In general, on a long enough time frame, any successful CIG will have to reset in small or large ways, and it needs to both be proactive and adaptable in doing so.
Several innovation leaders told stories of **proactive resets:**

“Our team didn’t test the business model and that came back to bite us too late to pivot the concept, a huge learning for our team and now we have a process earlier to address that.”

And other innovation leaders talked about **reactive resets**, usually around having to re-evaluate their mission and purpose when new leadership came on board:

“When we got a new CEO, I don’t think I thought about asking, ‘is our mandate still the same?’ Our approach was just to get him up to speed on the current projects, when maybe we should have revisited our mandate with him. We should have asked: ‘what are your goals, and let’s talk about how we can serve those.”

Her words of advice, or what she would do differently is to make this more of a “group reset” and having a co-creative session with leadership to align on their charter.

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**Offense Checklist**

Playing Offense strategies to better manage risk

- What did we learn as the projects developed that should help us tweak the way the CIG operates?
- What are the goals of new leaders as they join the organization, and how can the CIG serve those goals?

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**Defense Checklist**

**Watch-Out-Fors** biggest risks at this this stage

- **Static strategy:** Vision/mission remains untouched even amidst market and internal pressures are telling the CIG to move or otherwise shift its purpose and approach
- **Exiting:** costs are often deemed too high relative to the returns often because the time horizon for those returns was too short
- **Leadership misalignment:** Core business sponsor/investor misalignment with CIG leader/operations manager
- **New leadership:** Making assumptions about what’s important to new leaders during transitions between leadership
WE HOPE THE CONVERSATION ISN’T OVER...

We’d love to hear what stood out to you most from these insights and observations. And we want to extend a huge note of gratitude to all the participants we interviewed and to all who joined our Corporate Innovation Group Listening Tour. To learn more, or to engage in the ongoing conversation, visit us at peerinsight.com or reach out directly to nfoley@peerinsight.com or cmaxwell@peerinsight.com.