



CONQUERING THE FUTURE

In these fast-paced times of digital transformation, it's essential for managers to shape how companies develop. *Forward-thinkers are required:* People who see change as an opportunity, and utilize innovation as a catalyst for growth. They assume a role as architects of the future, applying their individual innovation DNA to secure their organization's success in the long term.

The world is already moving faster than ever, and the tempo is continuing to increase as globalization, digitization, and the development of groundbreaking technologies catapult us into a new age. Many ideas which were yesterday still consigned to a visionary future, are lived realities today: Self-driving cars, 3D-printed houses, algorithms which automatically devise forecasts, and robots with artificial intelligence are revolutionizing our everyday lives and the world of business.

“New production, information, and communications technologies are shaping the changing environment at a pace that would have been inconceivable just a few years ago. Furthermore, the sheer number of changes makes it more difficult to evaluate them and bet on the right horse,” says Sebastian Ley, Head of Innovation at Horváth & Partners. Although technological innovations have always stimulated progress, today we are facing a conglomeration of factors – for instance artificial intelligence, the Internet of Things, and blockchain.

A CHANGING WORLD

A key thing to understand is that each of these technologies in itself has potential to radically transform product and service offerings, and even entire industries. The fact that several developments of this type are taking place at the same time, in parallel, accelerates change and expands its scope. “Everything that can be digitized is being digitized,” Carly Fiorina, former CEO of Hewlett-Packard, noted years ago, highlighting the ubiquity of change.

In a world that is increasingly complex and more networked, both multinational groups and regional companies suddenly find themselves facing competition from startups, and are required to keep pace with them. New competitors bring very specific value propositions or platform-based approaches, putting traditional, capital-intensive business models at risk – reason enough for companies and organizations to reconsider and scrutinize their position in the value chain, as long-established industry structures are crumbling. Today, ownership and control of physical resources are much less important than ownership and control of information. Simultaneously, we have seen a shrinking of transaction costs, particularly those relating to the communication and processing of data, which is sharply increasing in importance. “Work to achieve innovation is driven both by changing customer needs and the technological transformation,” emphasizes Sebastian Ley.

BREAKING OUT OF THE COMFORT ZONE

Anyone who understands the possibilities of the digital transformation as opportunities in this phase can actively take part in shaping the change process. This is the moment for forward-thinkers and innovators. Strategic foresight and a willingness to innovate play more of a key role today than ever before in terms of unlocking growth potentials and sustainably safeguarding business success.

The most successful companies take a purposeful approach to innovation during boom times, not least because crisis-motivated short-term activity is damaging to strategic innovation work. “If we want to innovate successfully, we must work against shareholder value, short-term incentivization models, and in some areas even against our preconceived patterns of thought and behavior,” insists Sebastian Ley. Too often when everything is going swimmingly, the idea of change is just given lip service.

“ EVERYTHING THAT CAN BE DIGITIZED IS BEING DIGITIZED. ”

In successful companies, a duality in innovation management can be identified; they recognize when an idea can be implemented within the existing business model, and when new structures are necessary. For radical new ideas, rather than putting them into action within the existing organizational form – where they may be suffocated – an adaptation of the organizational setup and workflow is required to suit the new value proposition. However, larger-scale changes are often associated with a high level of risk – and this mindset often acts as a stumbling block for innovation of any kind. Entering new territory does not mean taking on incalculable risk; risks can be managed and every risk includes the opportunity for success. “Many people confuse the uncertainty created by the new and unknown with the consequences of potential failure,” Sebastian Ley points out.

USING SCENARIOS TO GAIN FORESIGHT

Thinking beyond impending changes wreaks uncertainty. Precise visions of the future are central to strategic management and targeted action on the part of the management team. Instead of continuing past practice, companies need to anticipate technological and social developments at an early stage, and bring them together to form a consistent picture of the future. Historical wins and business models do not offer any guarantee of future success. Of course, proactively engaging with the future is a far greater challenge than dealing with the present. But strategic innovation work is not about making predictions.



6 TIPS FOR SUCCESSFUL INNOVATION

1. **FOCUS**
Be clear and determined about the areas in which you want to drive innovation!
2. **SYMBIOSIS**
Synchronize customer needs with your organizational skills!
3. **TEMPO**
Make speed the imperative of your actions!
4. **AGILITY**
Promote an organizational culture in which experimentation becomes the new norm!
5. **SUPPORT**
Create innovation mechanisms for incremental and also radical innovations!
6. **FOUNDATION OF MEANING**
Have a clear and strong answer to the “why” of your innovation work!

Instead, it involves working as a company's management collective to anticipate potential alternatives for the future.

Alongside regular, fashion-led changes to management approaches, scenario planning at many companies and organizations



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has become established as a long-term management instrument for innovation-related work. Managers, politicians, and military strategists have been using this method to make the future tangible for more than half a century. Scenarios create models that enable individuals and organizations to orient their actions on the requirements and possibilities of tomorrow. For example, household appliance manufacturer Miele used scenario planning to generate visions of how cooking might be done in the future, as the basis for forward-looking development decisions. Technology is all-pervasive now, with high-tech elements increasingly invisible in the household – sometimes operating in the background as “shytech”.

SHAPING TOMORROW'S BUSINESS

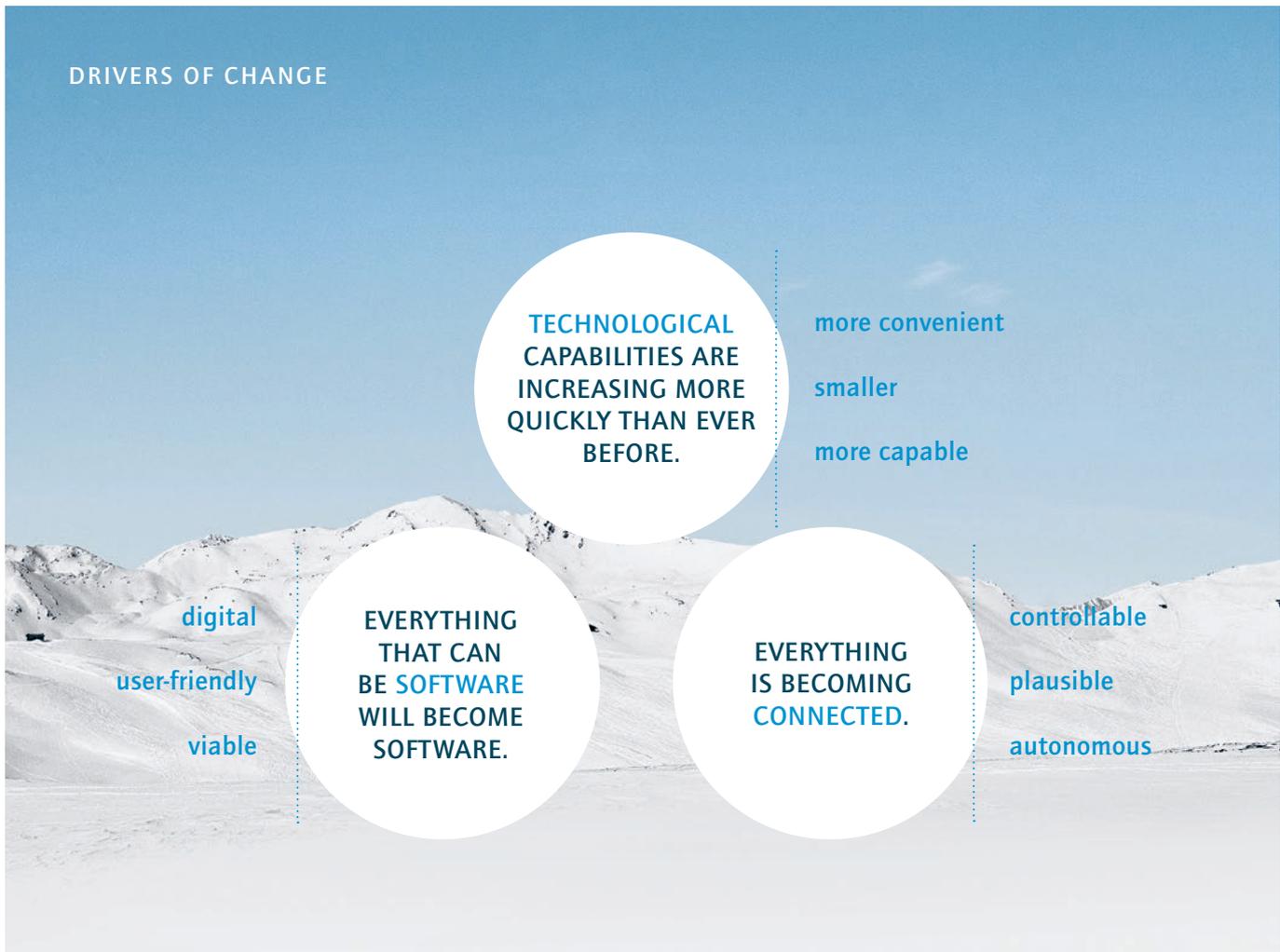
The core of this method is to think in alternatives, and to act based on scenarios. These are ideally developed in a project group that is as diverse as possible, outside the usual work environment. In open discussion, participants reflect on and describe how various influential factors may affect their organization, and use a systematic process to strategically transfer relevant facts into a new world of perception.

The advantage of this is clear: Companies that intensively engage with development possibilities – which may currently be considered improbable but are nonetheless plausible – scrutinize standard ways of thinking and established convictions. They anchor transformation in their corporate culture, meaning that they react to changes in the environment earlier than their competitors, and safeguard their established business through the use of innovations.

DEMAND FOR NEW TOOLS

Looking to the future is just one aspect of the craft of innovation – a craft which managers should master. Although most companies have institutionalized their innovation management over the past ten years, the processes are frequently too slow to keep pace with the ever-more-dynamic rate of change. Innovation management needs to be far more agile to meet today's requirements, and tools and methods need to be adjusted accordingly. At the same time, the strategic importance of work to achieve innovation is increasing, meaning that leadership from the management team is more important than ever.

Managers are shaping the transformation. As architects of the future, they need to ensure they are clear not only about why they want to innovate, but also where and how. These three questions are essential to successful innovation processes. First, the robustness of the current business model must be examined in relation to possible future scenarios. The particular priority



here is to crystallize where the organization wishes to position itself in future, and the value proposition it wants to use to solve customers' specific current and future problems. The next step is to decide how innovation will be successfully achieved, and which tools will be used to achieve it.

DIVISION OF LABOR IN THE ECOSYSTEM

Today, it's no longer sufficient to generate additional sales with new products and services, or to reduce costs through the use of more efficient processes. Challenges lie both in digitizing investment-intensive business models and in using supplementary market services around the core business to take an integrated approach to customer needs and unlock additional revenue streams. New, radical value propositions that can be rapidly implemented are in demand.

“Those steering businesses face the challenge of transforming their existing business model together with structures, simultaneously creating disruptive innovations,” comments Sebastian Ley. This is why organizations which meaningfully engage with business model and ecosystem innovation achieve greater success. Companies no longer need to do everything in-house; they also have the option to offer market services, or add greater value, by working together with strategic partners within an ecosystem, and in this way to react flexibly to changing market conditions.

In terms of methodology, increasingly we are seeing more radical, disruptive approaches occurring alongside traditional, incremental innovation, in which an idea goes through a standard stage-gate process and at each transition into a new phase a decision is made about next steps. Disruptive approaches of this type enable more rapid innovation, and include “open innovation” wherein external stakeholders are included in the innovation process, incubators act as “hotbeds” for developments,

and accelerator models make ideas market-ready more quickly (take a look at pages 22-27 to read more about accelerators).

THE DNA OF INNOVATION

Successful innovation is consistently oriented on the market, and focuses specifically on the company's own core expertise with respective technologies, the brand, processes, and customer access points. No single innovation has ever been created solely in a research lab, at a university, or in a development department. These are the places where ideas, inventions and prototypes are formed, and they only become innovations when they achieve market success. How companies shape their work to achieve innovation, and the tools and mechanisms they use, differs between entities and is heavily influenced by the respective organization's cultural DNA. The prevailing innovation structures also play an important role, making it important to investigate whether innovation is driven by marketing or the development department.

There is no patented formula that all companies can use to achieve successful innovation – every company must develop its own innovation DNA. In the strategy development process, it's essential to look to the future before setting a direction for innovation, and to use integrated innovation management to navigate the path from the initial idea to implementation. In times of upheaval, applying a modern approach that supports both the transformation of existing business, and radical innovations, enables companies to make great progress toward a successful future. ■

“ MANAGERS MUST TRANSFORM THE EXISTING BUSINESS MODEL AND CREATE DISRUPTIVE INNOVATIONS. ”

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