



Unlearning to Innovate

PREPARED BY MANAGEMENT CONSULTING:
STRATEGY AND INNOVATION SEGMENT

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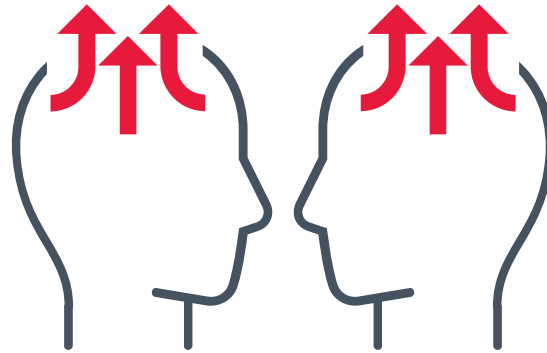
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Learning Objectives



Define the three fundamental types of innovation.



Recognize why it is sometimes strategically and financially beneficial to share innovation with competitors.



Examine the role of mistakes in driving innovation and how to create a culture where it is safe to fail, while simultaneously maintaining a culture of high accountability.

Agenda for Today

1

Defining Innovation

2

Highlights of Innovation Research

3

Innovation Frameworks

4

Building a Culture and Mindset of Innovation

Defining Innovation

1

Types of Innovation



PRODUCT/TECHNOLOGY

New products, or products with new features that satisfy previously unmet customer needs, or that meet customer needs more effectively

Examples

- ▶ Digital camera; cell phone
- ▶ Enhancing a cell phone with a digital camera



BUSINESS PROCESS

Significant changes in the way work is done, leading to substantial increases in speed, flexibility, and/or quality – and/or that substantially reduce costs

Examples

- ▶ Henry Ford's creation of the assembly line
- ▶ Customer service provided using chatbots on websites



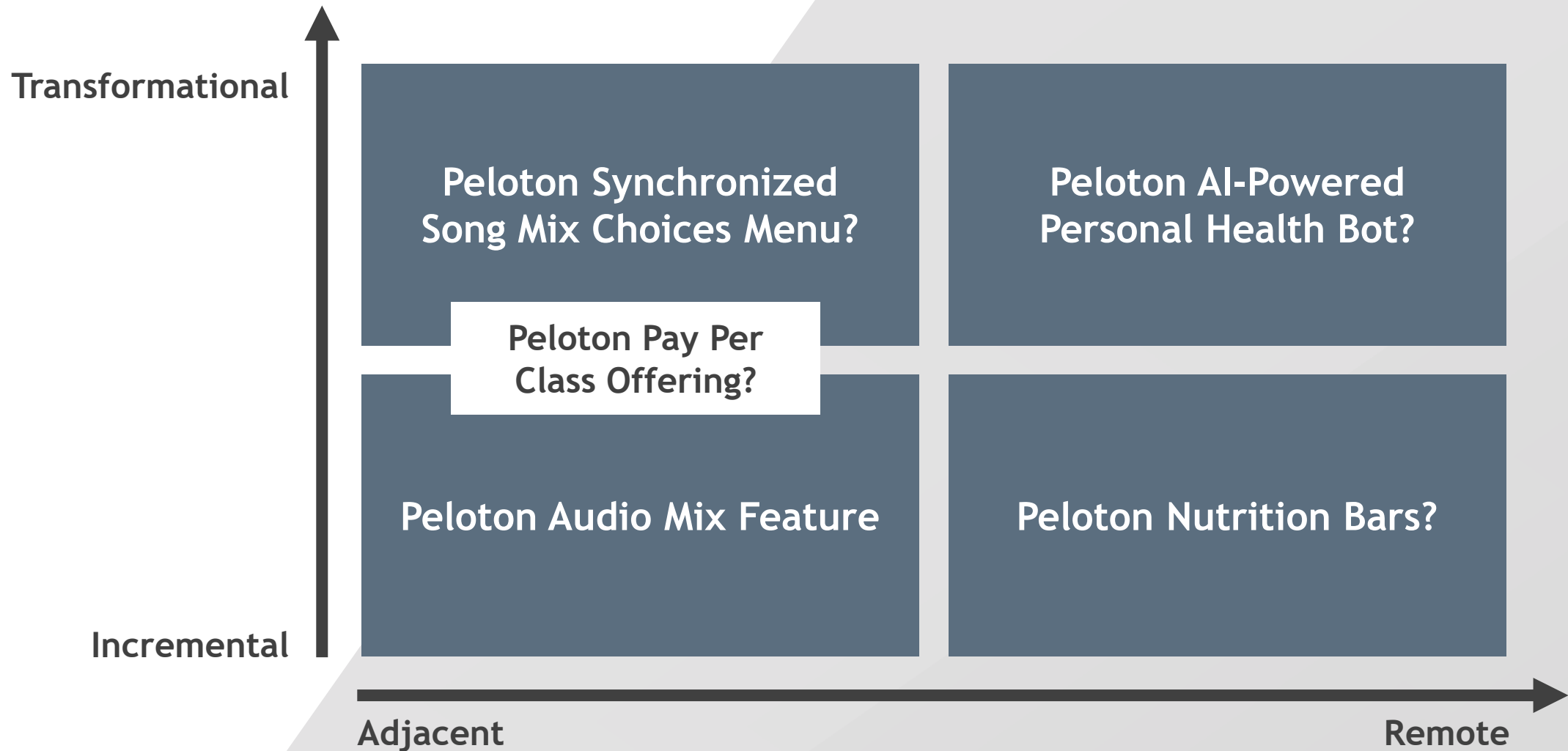
BUSINESS MODEL

Fundamental changes in the way a company delivers value to customers, and/or the way it generates profits

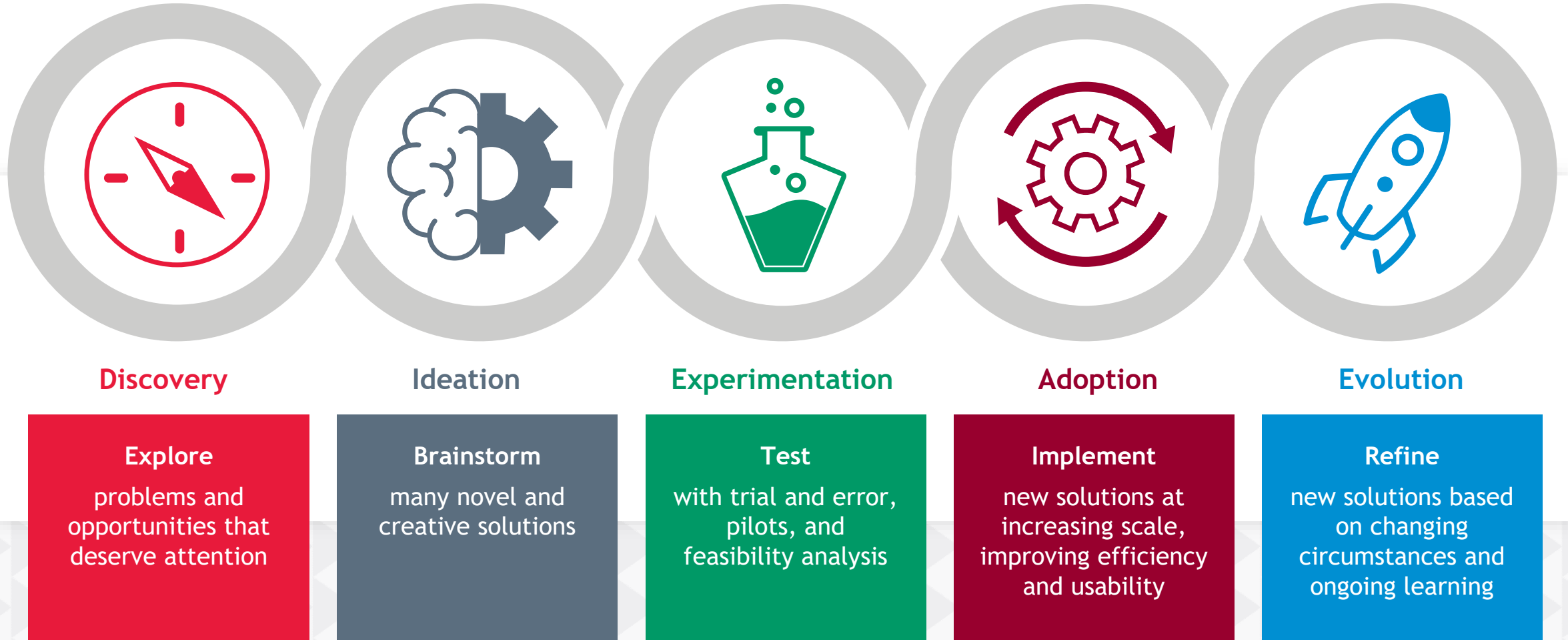
Examples

- ▶ Apple's invention of the iPod and iTunes, pricing music by song rather than by album
- ▶ Harry's selling razors in a subscription model

Degrees of Innovation Along Two Dimensions



Innovation Lifecycle

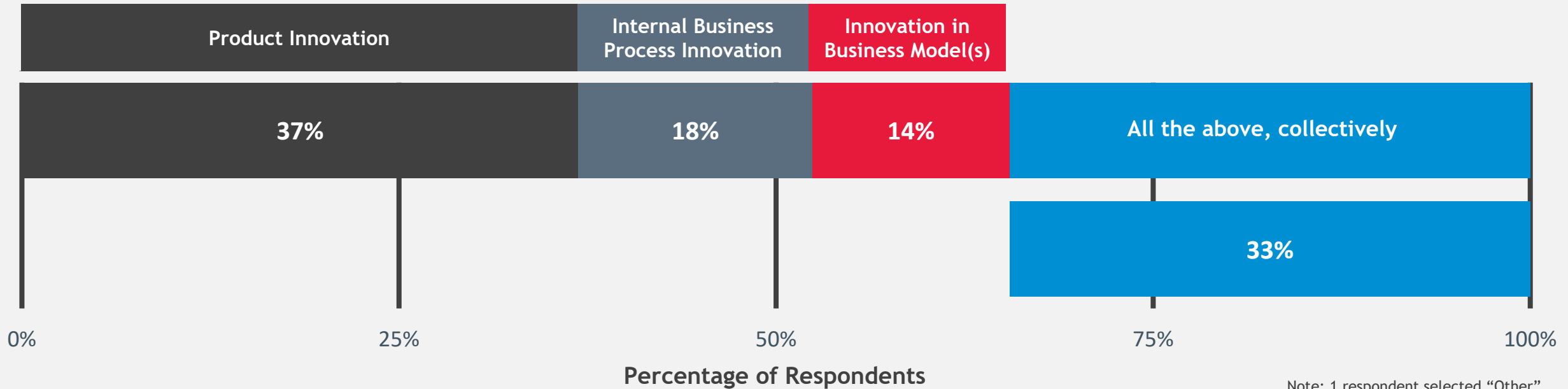


Highlights of Innovation Research

2

Value Realized from Different Forms of Innovation

What form of innovation has delivered the most value to your company over the past five years?



Note: 1 respondent selected "Other"

Product Innovation

New products, or products with new features that satisfy previously unmet customer needs, or that meet customer needs more effectively.

Internal Business Process Innovation

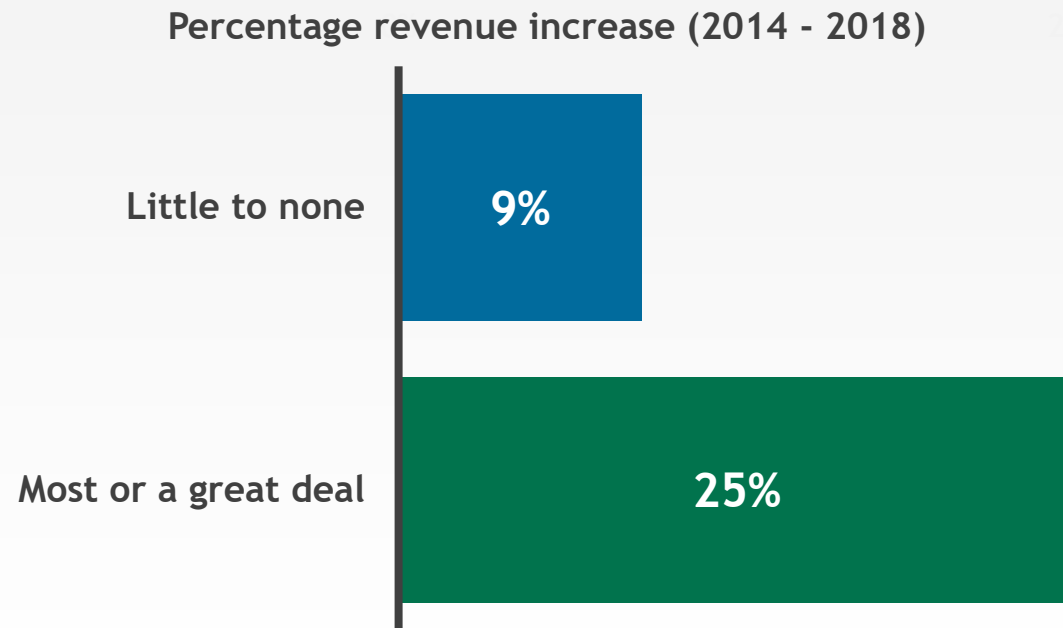
Significant changes in the way work is done, leading to substantial increases in speed, flexibility, and/or quality - and/or that substantially reduce costs.

Innovation in Business Model(s)

Fundamental changes in the way a company delivers value to customers, and/or the way it generates profits.

Companies That Prioritize External Innovation Achieve Greater Revenue Growth

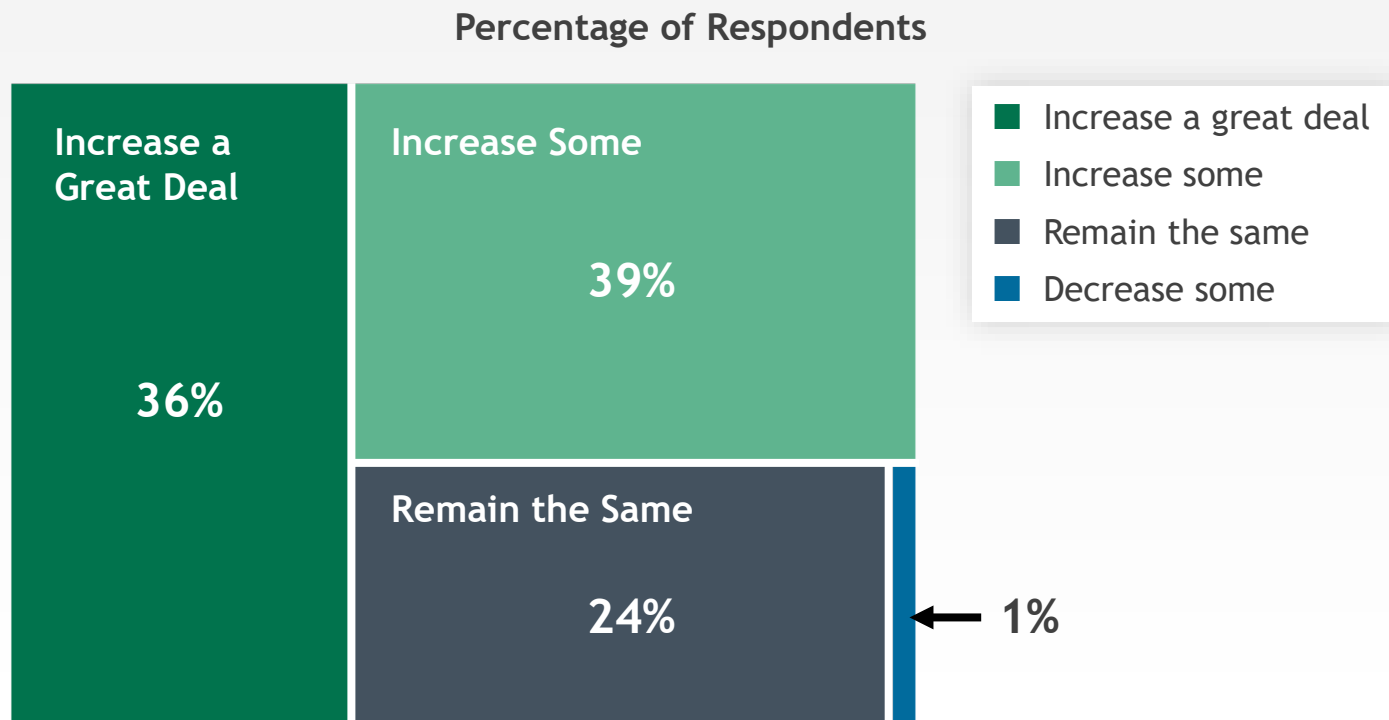
How much innovation at your company comes from, or involves collaboration with, third parties?



Companies that reported “**Most**” or “**A great deal**” of their innovation comes through external collaboration experienced a **178%** greater increase in their revenue compared to those with “**Little to none**”

Expectations for External Innovation Over the Next Five Years

How will the amount of external innovation at your company change over the next five years?

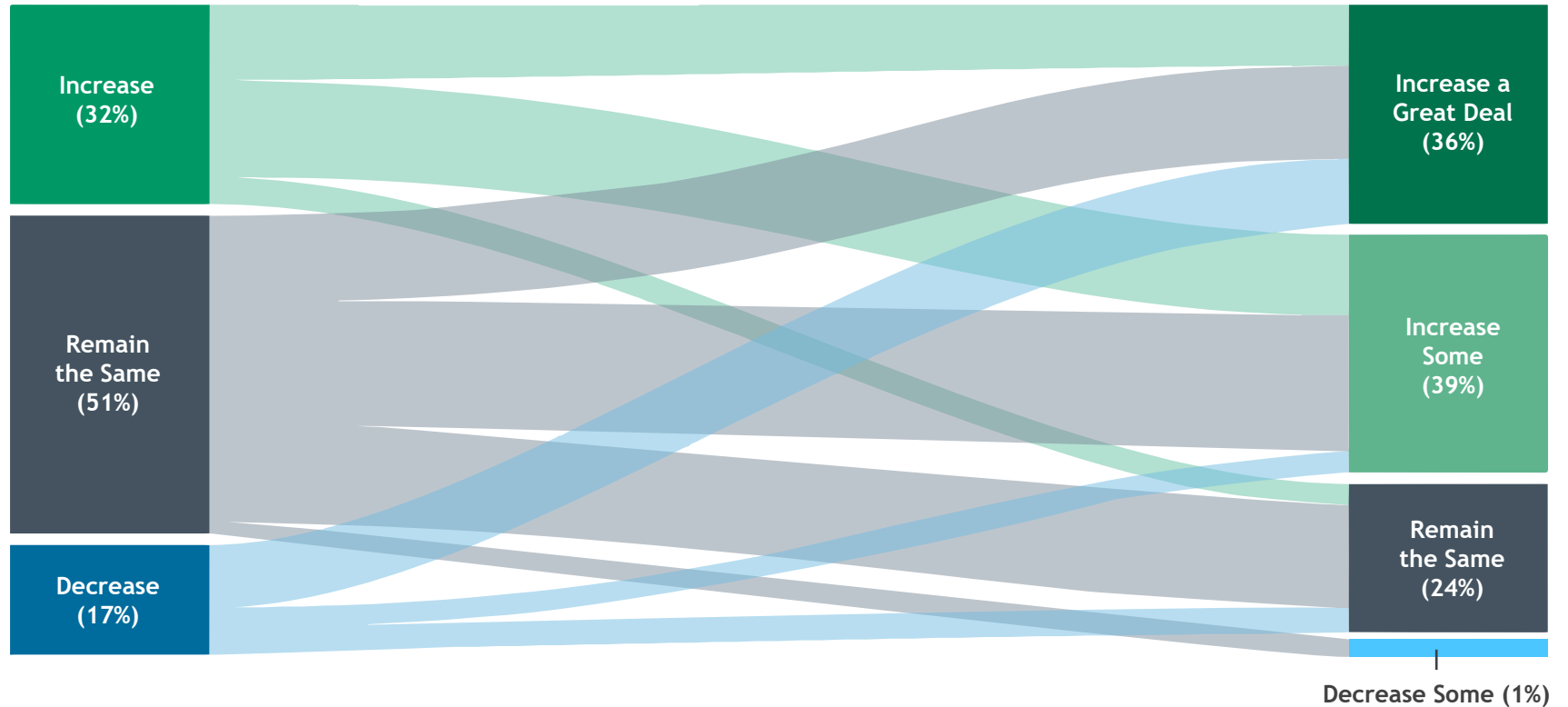


75% of respondents report that the amount of external innovation at their companies will increase “**some**” or “**a great deal**”

Expected Evolution of Internal Versus External Innovation

Change in External Innovation at Your Company in the Last Five Years

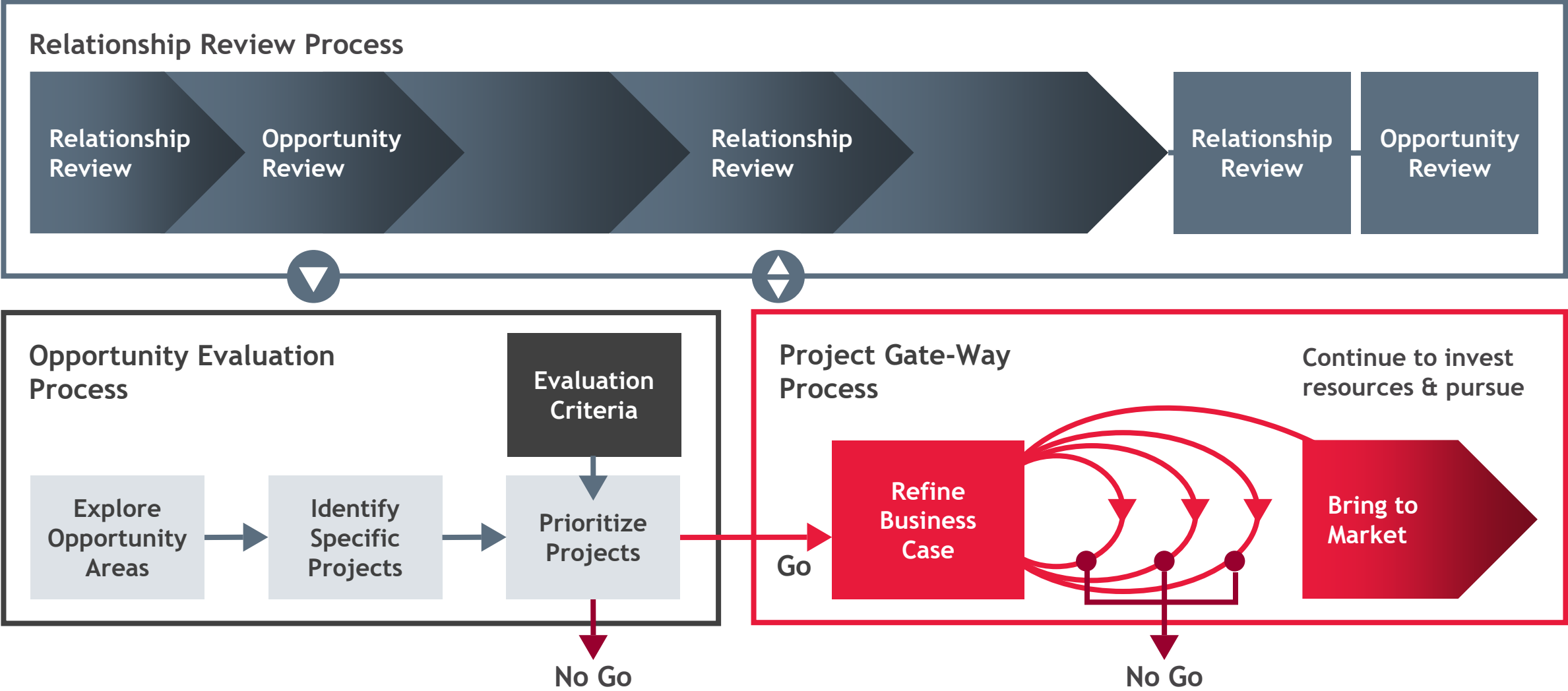
Expectations for External Innovation in Next Five Years by Change in External Innovation in Last Five Years



Innovation Frameworks

3

Co-Innovation Process Overview



Innovation Asset Trade-Off Analysis

Are there market opportunities that neither we nor the partner can fully meet?
Or that we can meet more effectively (better, faster, cheaper) by collaborating?

Is there a revenue split that would leave us and them better off
than if we each tried the opportunity on our own?



Reframe IP “Ownership” Debates

Define Customer Exclusivity for Specific Fields of Use

Define Timeframes for Customer Exclusivity

Prohibit Use of Jointly Developed IP with Named Competitors

Preferred Pricing for Customer

Explore Co-ownership and Licensing Arrangements

Almost all innovations become less valuable over time and eventually obsolete

Customer-supplier relationships that operate as continuous engines of innovation are a critical source of sustainable competitive advantage

Many opportunities for suppliers to monetize innovations jointly developed with customers can be pursued with no loss or risk for customers

Building a Culture and Mindset of Innovation

4

Innovation Has Many Enemies

Arrogance

“We don’t need to change.”

Fear

“Trying that is too risky.”

Insularity

“We know what we need to know.”

Complacency

“We should try that - later.”

Innovation Failures



But Innovation Also Has Powerful Friends

Curiosity
“Why is it that...?”

Creativity
“What if we tried...?”

Courage
“We can do this.”

Collaboration
“Who can help me? Who can I help?”

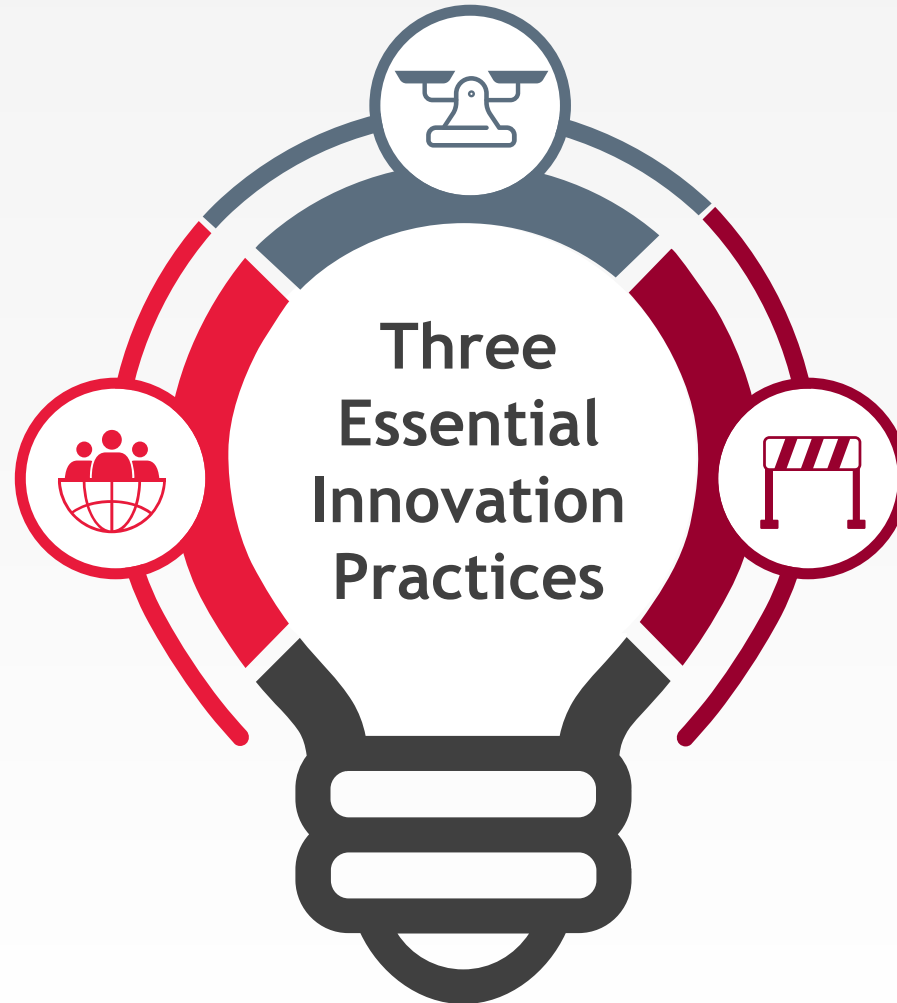
Innovation Successes



Leverage the Power of Reframing

Foster curiosity to ask new questions and view challenges from different angles

Gather Diverse Perspectives
Seek out new ideas, listen to new voices, and look beyond current boundaries



Embrace Failure

View mistakes as progress; persevere and capture lessons learned through each trial

Examples of Constructive Reframing

But > And

Focus on understanding complexity, versus binary assessment of what is true or false, good or bad

Complaint > Request

Focus on what could make a situation better, versus on what is wrong

Prediction > Possibility

Explore what factors might make different outcomes more, and less, likely, versus debate what will or won't happen

Passive > Active

Focus on what can be done to affect a situation, versus on constraints and limitations

Past > Future

Focus on what is possible going forward, versus what has already occurred

Control > Influence

Focus on ways to accomplish things with and through others, versus on what anyone can do or dictate on their own

Insightful Questions

Who knows about the problem?

Who can do something about the problem?

Who cares about the problem?

How might this problem be connected to other seemingly unrelated problems?

What are the pros and cons of alternative solutions?

Why hasn't this problem been solved before?

What are possible unintended consequences of taking this action?

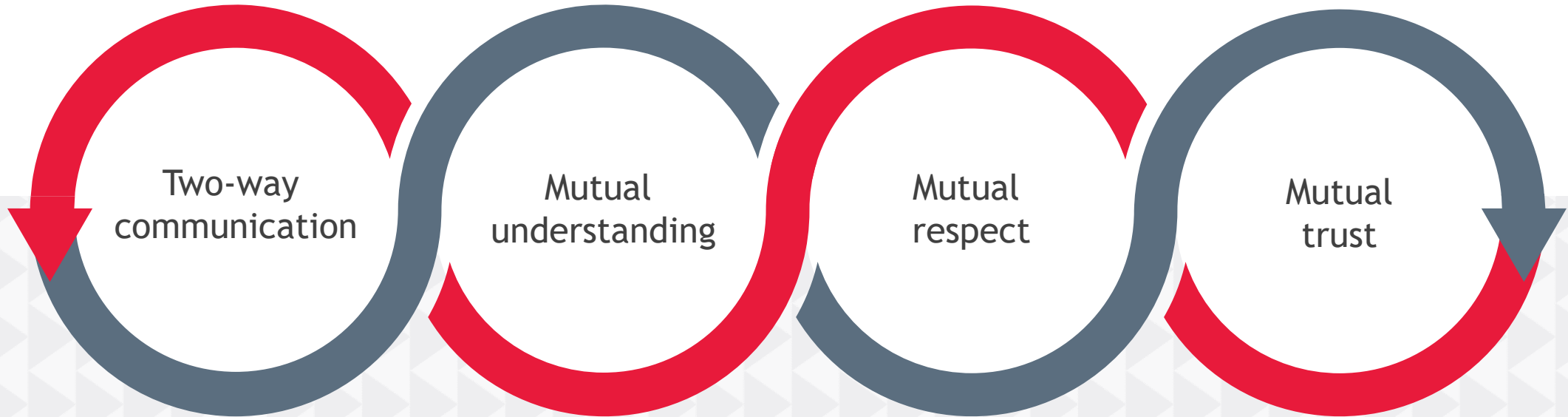
What is surprising about what has happened?

What would an outsider say about this problem?

What is the strongest argument **against** this solution?

What will happen if we do nothing?

Collaborative Relationships Are Essential to Successful Innovation



- ▶ Innovation is a team sport
- ▶ Innovation requires collaboration which requires strong relationships



- ▶ Identify more innovation opportunities
- ▶ Generate creative ideas
- ▶ Improve execution and success rates

Negative results are just what I want. They're just as valuable to me as positive results. I can never find the thing that does the job best until I find the ones that don't.

Thomas Edison



“I haven't failed - I've just found 10,000 ways that won't work.”



“

Again, we've just got to work on that landing a little bit. We got a lot of good data, and the primary objective – to demonstrate control of the vehicle in the subsonic re-entry – looked to be very good, and we will take a lot out of that.

Principal integration engineer John Insprucker, during a company webcast after SN9 exploded on impact at landing



Bad Failures Versus Good Failures

BAD FAILURES

- ▶ Come as a surprise, and arise from insufficient analysis of potential risks
- ▶ Result in costs that outweigh the potential benefits that were sought
- ▶ Occur without well-defined mitigation strategies in place
- ▶ Are swept under the carpet, or trigger defensiveness in the face of attempts to assign blame
- ▶ Recur, due to lack of root-cause diagnosis, and a failure to learn
- ▶ Do not generate new insight

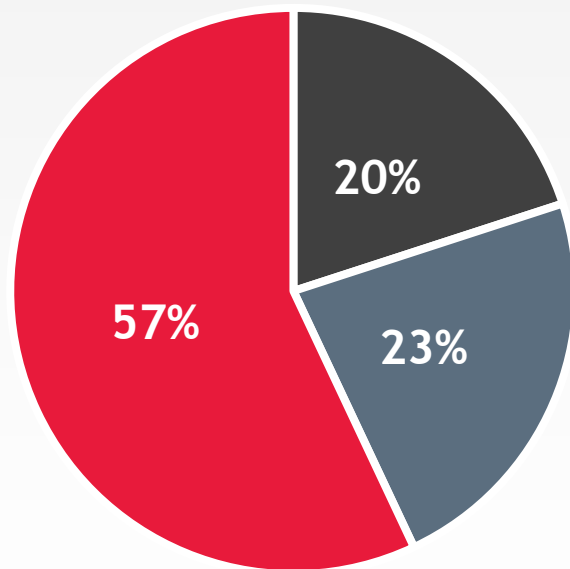
GOOD FAILURES

- ▶ Are not unexpected, and arise despite careful analysis of potential risks
- ▶ Result in costs that were deemed acceptable considering potential benefits
- ▶ Result in limited harm because mitigation strategies were well-defined
- ▶ Are candidly dissected to identify all contributing factors
- ▶ Occur only once, and are not repeated, due to effective after-action review and organizational learning
- ▶ Generate new insights and innovation

Company Culture Related to Risk-taking and Failures

Which response best describes your company culture?

Percentage of respondents



- Our company encourages smart risk-taking, and there is no penalty for “good failures” that contribute to learning and innovation
- Our company is risk-averse, and there is little tolerance for mistakes of any kind
- Our company has an accountability problem. Poor performance and “bad failures” are tolerated

Companies that have a “**smart risk-taking**” culture achieved a **38%** greater increase in revenue compared to “**risk-averse**” companies

A modern office interior featuring a staircase with a glass railing, a reception desk with the BDO logo, and large windows overlooking a city skyline. The scene is dimly lit, with light coming from the windows and the reception desk.

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