The Ideas Economy

beyond

We increasingly live in an ideas economy. This is a world where across the whole landscape, corporations have invested strongly in the business of ideas. Innovation is no longer a siloed, ivory tower pursuit reserved for an agency's most lofty egghead. Instead, it's baked into the DNA of all organisations as they seek to gain a competitive advantage in a world of accelerated change.

So how do we make sure that we can turn ideas into value? And how can we do it fast?

This is where validation comes in.

At Beyond we believe that we're entering an era where validation is the key to business success.

It's not enough to have great ideas. The real challenge is understanding which ideas to act on. Now more than ever as we enter an era marked by increased uncertainty, it's vital that businesses understand where and how to invest their time and resources. So just how do we turn ideas into success?

These are some of the things we're pre-occupied with at Beyond as we strive to create successful work for our clients. Throughout this report we ask a series of questions which we believe are fundamental to delivering this success. We hope that you find them useful too as you navigate the Ideas Economy.

If you'd like to find out more about what we do and how we do it, drop us an email at hello@bynd.com

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Who's generating ideas? The CIO vs the Entrepreneur in Residence

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ideas

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There is a stereotypical image of the classic Chief Innovation Officer: the eccentric brainbox who attends CES every year and returns with tales of connected nappies and robotic rabbits. With bizarre job titles like Captain of Moonshots and Digital Prophet, it's easy to mock the innovation thinker whose job is to discard the status quo. However the benefit of a CIO is the ability to bring genuinely disruptive thinking to help solve real problems.

Over recent years we've increasingly seen innovation thinking being encouraged across the whole DNA of organisations. The generation of ideas is no longer a siloed pursuit reserved for the select few. Instead we've seen the arrival of concepts like the Entrepreneur in Residence from within the venture capital sector. This gives rise to a culture where employees within a company are encouraged to take an increasingly entrepreneurial approach, generating original ideas to solve real business problems.

_If this trend is set to continue, what is the best way for companies to harness creative ideas which are generated by the many, not the few?

_And beyond this, what additional validation challenges does this more open process provide?

_How do companies move to create a culture – rather than a figurehead – of innovation?

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The business of ideas:

In-housing Vs consultancies. What is the new shape of innovation?

It all started with IBM back in 1945. IBM Research was the first US corporate laboratory focused solely on scientific research.

Today, IBM has 12 labs with a total 3,000 scientists working to produce disruptive technologies. It's from these labs that IBM has helped the Apollo space missions land on the moon and is now masterminding Watson, the world's first cognitive computing system. So, what can lesser mortals learn from IBM?

A recent Capgemini report found that while **87% of the 340 organisations** they surveyed have an innovation centre, **half of business leaders** feel that their organisation is unable to keep up with market changes, and **less than a fifth (17%)** think they have a company-wide culture of innovation *(Capgemini: The discipline of innovation: Making sure your innovation center actually makes your organization more innovative)*.

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Consultancies are expensive. And they're not always easy to work with. Genuine collaboration is vital in the business of ideas. Too often, consultancy led projects suffer from a failure to implement meaningful collaborative processes. Cultural differences, geographical distances and even internal systems often put barriers in place of a free and regular exchange of ideas. This can result in projects being judged by the success of a single, all-encompassing deliverable rather than a more nimble approach where smaller ideas are explored in more depth throughout the process.

_With this in mind, is it better to move the business of idea generation in house?

_If so, what does this mean in real terms when it comes to generating and validating ideas?

_By removing the external consultancy reporting layer, does this make it possible to test and learn - and therefore validate ideas - quicker and more effectively? Beyond this, what does this change mean for your business structure?

_How should a company balance innovation thinking with a need to focus on business as usual?

On the flipside, innovation consultancies offer a skillset that it is often hard - and expensive - to build from within.

_Should companies instead strive to work better with consultancies to ensure the success of innovation projects?

_And how can these working processes be streamlined to move faster in pursuit of the best ideas?

innovation

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How can companies get better at validating ideas?

Validation is defined as "the process of gathering evidence and learnings around business ideas through experimentation and user testing, in order to make faster, informed, de-risked decisions."

For ideas to succeed, companies need to establish a validation culture. This formalised structure around innovation is key to success as clear processes and feedback loops help to de-risk decision making.

According to CB Insights, **57% of respondents** to their survey of 677 Corporate Strategy Executives said their companies do not follow formal innovation processes. Instead, executing on corporate innovation remains mostly ad hoc and unstructured, meaning that the majority of companies don't have processes for ideation and development phases *(CB Insights: State of Innovation)*.

Such failures in process make accurate validation more difficult.

validation

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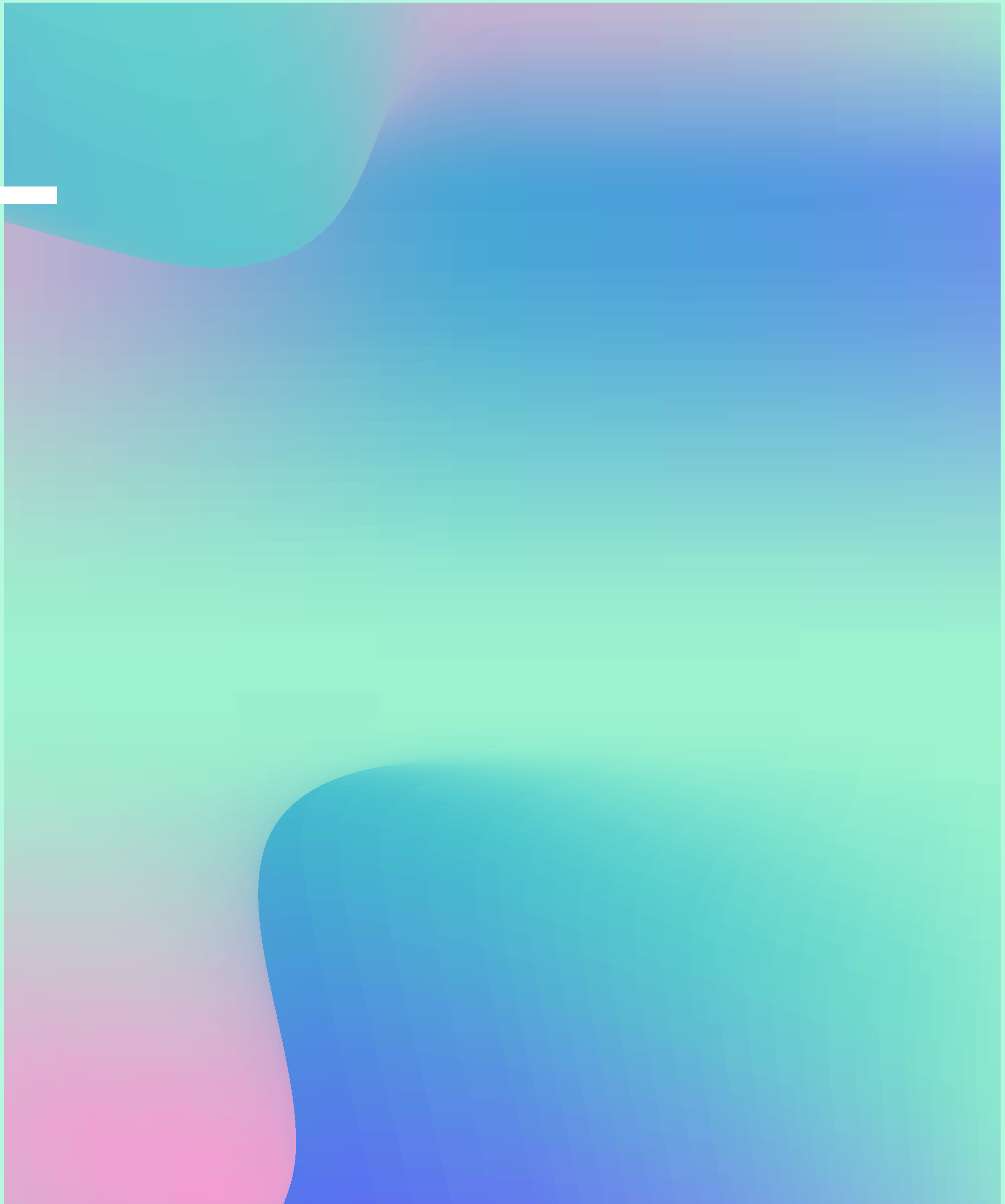

_Of course ideas drive innovation, but how do we know which ideas to focus on?

Companies can spend time developing and mastering innovation frameworks and ideation methods. The problem isn't ideas and the innovation that comes from ideas, but ensuring that they're focusing on the right ideas.

_How do you know that you're solving the right problem? Is the selection process working? If yes, how? If not, why not?

_Beyond this, what stops companies taking validated ideas to market? What is the biggest blocker? Is it technology, people or time? Or something else altogether...

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Can we actually measure innovation success?

According to the Office of National Statistics, expenditure on research and development performed by UK businesses continued to grow, **expanding by £1.1 billion to £23.7 billion** in 2017, an increase of **4.9%**. London had the largest growth in regional business R&D expenditure, **increasing by £448 million (19.1%) to £2.8 billion** in 2017.

Since 2005, Strategy&, a business unit within PriceWaterhouseCoopers, has published an annual report of the top 1,000 most innovative companies in the world. In that time, they've found no

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MEASURING SUCCESS

statistically significant link between research and development (ie innovation) spending and sustained financial performance. They did, however, find an interesting trend across all of the annual reports: the top 10 most innovative companies are rarely the top 10 R&D spenders.

_If we do struggle to provide a direct correlation between innovation and financial performance, what markers should we be using instead to assign value? And how do we convince the CFO that this is a cost worth incurring?

According to Gartner, only **23% of CMOs** have fixed annual innovation budgets *(2017-2018 Gartner CMO Spend Survey)*. This suggests that the remainder rely on ad-hoc innovation spending which can result in random acts of innovation and short-term engagements.

_How can companies avoid this in order to deliver successful innovation?

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How can we use failure to better drive future work?

There is an often quoted statistic which claims that **72% of new products and services fail** *(Simon-Kucher & Partners, Global Pricing Study 2014)*.

Failure is inevitable – but it's also valuable. That's why Facebook subscribed to the 'move fast and break things' ethos for a long time. Amazon CEO Jeff Bezos used his 2017 stakeholder letter to note how important it is to 'experiment patiently' and 'accept failures'. And Google even has an official process in place for learning from failure.

_If failure is so innate in the innovation process, should we not learn to accept it as a crucial part of the validation process? And more importantly, embrace what we can learn from it?

_How can we convince the CFO that money spent on unsuccessful projects is not wasted? And how can organisations get better at failing fast so that they can move on to success quickly?

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When it comes to ideas, should we go with our gut more often?

A key feature of the digital economy is the extent to which it has given us access to vast amounts of data to help us validate ideas and assumptions. While access to this data undoubtedly helps in any validation journey, there remains a belief that an over-reliance on data can hinder rather than help innovation.

In the "good old days", a driven creative director wouldn't allow a focus group to stand in the way of a great idea. Famously for example, the Guinness 'Surfer' ad didn't perform well in the pre-launch research phase. But driven by gut belief in a creative concept, Guinness took a punt. And the rest is history.

_With this in mind, to what extent do we now rely on data for data's sake?

_Are we now too beholden to data? Should we rely more on our gut? Further, is there such a thing as over validation?

_How can we stop validating ideas to death?

take a punt?

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