

A look at

Innovation as an investment

Kendall Benton, the business lead on Future of Fish,
discusses the financial aspects of the project

Prepared by Central
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Introduction

Innovation as an investment

Organizations approach innovation in a variety of ways. Some hope it happens, some expect it to happen as a function of culture, and some put in place programs to make it happen. Each option does yield some innovation. But the reality is, each approach requires some investment from the organization. True, the investment in the “hope” approach is not high, but factoring in lost innovation could make it the most expensive strategy.

Ultimately, the question arises: What is the best way to invest in innovation?

I have spent almost 20 years in the business consulting business. I have been inside hundreds of organizations—big and small, slow and quick, startup to has-been—and at all levels in these

organizations. Each has a unique way of managing innovation. **The Future of Fish** mandate was first and foremost to create innovative solutions, and while that, in concept, was nothing new, the approach was radically different.

Indeed, the setup is different: working in the social enterprise space, not for a true client, but for the fishing industry, with markedly limited funds. It is these constraints that yielded a much more efficient, optimal approach than the manner most organizations conduct innovation. It is one, however, that will work equally well in all organizations.

Typical organizations

The value of innovation

Companies of significant means invest hordes of money in innovation. The returns are mixed.

A few years ago, I worked with one of the top five largest banks in the U.S. to help prove the viability of a new product offering that they considered innovative. After spending probably close to ten million dollars working with a big consulting company to come up with the idea, my firm was hired to operationalize it to prove its worth.

As the project went on, I heard of a similar project that was going on in a different part of the bank. It turned out that the bank, as was its standard operating procedure, was running two projects to attack the same market. It pitted those two against each other to see which was most viable.

With funds at their disposal, this seemed like the right way to invest in innovation. The question is, did they get a return on their investment? The ideas were not far different from each other. Each had nuances that drove at different motivations for the customers.

Surely, this would be the way to prove the best approach.

But this came at a cost. The project I was on had a \$50 million budget; the other most likely did, too. The winning idea would receive a \$200 million annual budget, with payback in four years—if successful.

Was this the best way to invest \$100 million in innovation? Did the approach secure success?

What I learned over the years is that, although this organization was an extreme, most companies approached investing in innovation like throwing at a dartboard. Yes, they were committed (at least financially) to innovation, but success was haphazard, at best.

This was surely the case in the above example. Neither investment worked out for the company. As a company with a diversified innovation investment strategy, they rationalized that other ideas would offset this loss.

There is a better way. One that has greater success and is less capital intensive.

Future of fish

Viable, feasible, desirable

I came into this project at the tail end of Phase II with the mandate that I was to make sure the solution was viable as a for-profit business. The numbers had to work. The market had to be real.

Thankfully, the bank's approach was not an option for this project—nor would it have worked even if it was.

I was a bit skeptical that a bunch of designers and ethnographers were going to be able to derive a financially viable solution. So we attacked this challenge with a refined innovation strategy that is applicable for any organization.

Ensuring success

Central's approach

Our approach is quite different than those typically used at companies. We had to find investable, innovative solutions for a system-wide, extremely complex failing in a finite amount of time. Oh, and do it on the cheap. To maximize success, we targeted four specific methodological areas of concentration:

1) The Design Process. This cannot be underestimated. The process brings about several things: analyzing an entire system, using an ethnography-based holistic approach, focusing on individual motivations, identifying specific problem areas, and finding specific solutions tied to each and every one of the learnings throughout the process. Most forced innovation (tied to a finite timeline or budget) revolves around research, but more in a trends and secondary market research way. Being on the ground with participants in the industry to see what is working and where the “stuck points” are is invaluable.

2) Industry Collaboration. Apart from the specific individuals who were the target of the research, a strong contingent of the sustainable seafood industry was regularly, as a matter of process, engaged to provide feedback, help with deeper understandings of particular insights, and vet “idealettes” (small portions of bigger solutions) to validate that the solutions would have impact.

3) Cross-discipline Ideology. Having only designers, or only fish industry experts, would provide a very limited set of solutions. However, a team led by a designer, a journalist, an architect, and a business strategist—

supported by industry experts for deep content expertise—will generate much more complete, systemic solutions grounded in impact and viability. This was done in other ways, as well. For example, one workshop brought together sustainability experts with social entrepreneurs, financial experts, writers, actors—all with a common goal to find insights in a complex system. From that, we were provided with a greater foundation of insights from which to derive solutions

As a process for innovation, this is unique. But in order for this to maximize success, these three key aspects must also be a part of the solution. In other words, to be viable and accepted by the industry and the market, the solution must be:

- Systemic and appeal to participants motivations
- Continually shaped by industry
- Cross-discipline in its mission

While the first two, I think, make sense, the last can be confusing. Of course an organization will be cross-discipline—right? It will have a sales team and an accounting department and a technology team. But for us, this means so much more. It means that in order to ensure long-term success, the company must embrace other industries and social challenges in a symbiotic way. Truly hard to conceptualize, but it will increase the chance for long-term success. Deriving a solution in which the mission is focused across symbiotic areas creates a deeper, more meaningful, more viable business solution.

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Winding down

We are close to the end of this phase of the project. We have what we believe to be a set of wonderful solutions—ones that, if executed properly, will enable and empower other innovative solutions to have an even greater impact. Those solutions have viable business models attached to them. They have an investment strategy that will support them collectively through the next phase.

There is no doubt that launching these solutions will be challenging.

Most new businesses fall. But this solution set has a more robust, market-driven, viable business model that allows it to maximize its success.