FivePaths

Supporting Innovation

Making plans, taking risks, and embracing success (and failure) in the unknown

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Summary

New, innovative endeavors can offer exciting opportunities to make big changes, but also carry with them inherent risks. Through careful planning and a thoughtful balancing of resources, organizations can take steps to support innovation while at the same time mitigating risks, ensuring positive outcomes, and learning the most from the process.

The Challenges of Innovation

Whether an organization would like to support more innovation in general, or has specific internal or external new projects in mind, breaking new ground can be both exciting and fraught with uncertainty. When pursuing innovative projects, organizations may not know:

- Which elements of the project will be the most beneficial.
- Who will benefit.
- When the benefits might be realized.
- What circumstances might lead to benefits.
- What resources are required to yield benefits.
- Whether the assumed benefits or entirely new benefits will emerge.
- Whether the project will be beneficial commensurate with the effort put into it.

For this reason, it is important to approach innovative projects thoughtfully and strategically. Doing so will help teams understand and manage a project's potentials and pitfalls as they emerge.

How Much Risk Should You Assume?

If your organization is considering a new, innovative project — or would simply like to encourage more innovation in general — a good first step is often to evaluate your current projects and practices. This can help you understand how to better support original thinking, as well as how to evaluate specific projects, including what the impact might be on the organization and how you can work to best ensure positive outcomes.

Some important questions to ask include:

How do you reward innovative action?

Does your organization view risk-taking in a positive light? How does your organization view failure? Does your organization respond well to a change in management? How do external stakeholders, funders, and constituents regard past innovative initiatives? In the absence of an organizational culture where risk-taking and even failure are viewed

as positive opportunities for growth, you will have difficulty motivating your team to truly invest in new ideas.

How ambitiously do you fund innovative programs?

Heavily funded projects — especially those expected to generate less of a return on investment — can leave your organization financially vulnerable. Is funding of your innovative project predicated on a single grant source only? Are programs supported with other income streams? What percentage of resources (staff, for instance) are applied to innovative programs? Will the expected return on investment lead to more social good, or capital gains? Ensure that your funding structure can handle a project's risks, including timeline changes and even failure.

What percentage of innovative projects fail?

The potential for failure is a necessary component of innovation. Assuming good project management, examine other innovative projects your organization has undertaken: the existence of many failed projects compared to successes often indicates an organizational culture with a greater overall appetite for risk; it may also suggest that improvements should be made in how projects are carried out. On the other hand, few failures might indicate that the projects you are undertaking are not truly innovative.

How do you calculate the risk of innovative projects?

Successful innovations balance risk with reward. Does your organization have a mechanism for assessing new proposals? In examining new proposals, organizations will want to ask not only whether the project is worth it, but whether they have the resources to carry it out and a plan to orchestrate it well. It is important to remember that organizations that are unaware of their projects' successes or failures — and that avoid defining them as such — may be taking on the biggest risk of all by repeating mistakes or failing to follow best practices in the future.

How do you put the brakes on unsuccessful projects?

Organizations that do not have a mechanism for evaluating successes or failures of innovative projects are taking a huge risk with their investment. Do innovative projects have clear metrics for success? Are multiple intervals planned for evaluating success prior to exhausting resources? Is there a plan for when to call a project a failure and who will make that call? How will a failed project wind down gracefully?

How are learnings from successes and failures shared?

Organizations that are able to identify failures, but unable to learn or change from them, run the risk of stymying future innovation. When a project fails, even in part, does your organization take the time to study why it failed and what the implications might be for similar endeavors down the road? Are these findings shared to teams engaging in other

innovative projects? Is there any evidence that this information, once shared, is applied to subsequent projects?

Evaluating Innovative Proposals

Innovative projects should be carefully evaluated following a staged process that balances investment with risk.

Step #1: The Smell Test

So you have a lot of great ideas! Invest some time in separating the crazy ones from those with potential. List them out, along with a brief description. Identify what is most compelling about each idea, as well as a possible champion — someone with influence over organizational decision-making who is motivated to sell the idea internally. Develop an Innovation Strategy Team that regularly reviews this list to filter out those without compelling rewards or a good mission fit. After a few rounds of review, many great ideas do not seem so great anymore, while those with staying power will reveal their strengths.

Step #2: Prioritize

Examine the current innovations in progress at your organization, as well as new projects on the horizon, to determine your ability to pursue ideas that have passed the smell test. Still too many ideas to choose from? Offer each champion the opportunity to push one idea with a 15-minute presentation to the Innovation Strategy Team demonstrating its value and feasibility. Schedule the most promising for further development and consideration.

Step #3: “Shotgun” a Business Case

Outline your project in a page (or less). Next, pose some essential business questions to determine fit, value, and feasibility. This phase will involve discovery and research. Focus on gathering and presenting the information accurately and plainly; beautifully designed business plans are time-consuming and tend to obscure findings.

- What are the biggest risks and challenges, and how do you mitigate them?
- What are the most similar models or competitors for this project, and what is good and bad about them?
- Who is the market, how big is it, and what is it looking for?
- Why should your organization take on this project? What makes you different and uniquely capable?
- What capacities and resources in your organization can you leverage to implement this project?
- What are the legal and regulatory risks for this business?

- What partnership opportunities, sector, and industry contacts can we call on?
- What is the financial and social return on investment?
- How much time will the project require, and how many resources, before it can come to fruition?
- If successful, how will the project be sustained?
- Are there benefits to the project even if the overall goal is not met?
- How quickly can the project be declared a success or (more importantly) deemed a failure?

If an idea fails to pass this stage, the organization should consider the time spent on it a good investment, since little has been spent on the idea. Projects with no red flags or deal-breakers can be advanced to the next stage.

Step #4: Prototype

If possible, design a limited version of the proposed project to help you test the riskier and most critical elements of the project. Ideally, this prototype will be small, and flexible enough to be changed (sometimes dramatically) as you learn from it. Establish a baseline from which you can measure successes and failures throughout the course of trying out your prototype. Be sure to run your prototype like an actual project to measure your assumptions about funding, teams, goals, success metrics, tasks, responsibilities, and more.

Step #5: Finalize Your Business Case and Project Plan

In examining your prototype, analyze what worked and what did not. Evaluate any unexpected developments that promoted success. Study the resources and time involved in executing the prototype, using these findings to consider the feasibility of implementing the project as a whole. Identify information gaps that might have critically helped increase success, and take some time to do extra research. Incorporate these learnings into a more formal Shotgun Plan.

Embracing Failure Leads to Success

Organizations that cover up or ignore failures learn less about what it takes to succeed, and spend more good money on poor projects. This in turn can lead to an organizational culture unwilling and unable to take on future risks and further innovation.

The process of conceiving, evaluating, and implementing innovative new projects allows many opportunities to review success. While most innovative projects fail, it is vital to recognize failure when it occurs, and apply its lessons to your next endeavor. A well-executed failure is in fact a success, and the team should be celebrated for their hard work and contributions — which ultimately will lay the foundation for stronger future innovations.