



Why most leaders fail at innovation

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For good reasons and with the best of intentions, leaders deal with day-to-day business first and foremost. We call it management and know which methods and tools are needed for this and which environment is suitable for this. We have learned and successfully applied this know-how in our careers. However, many of the useful tools from the management toolbox are counterproductive when it comes to developing new products and innovating. In this Insight, you will learn which mistakes managers typically make and what innovation teams really need.

Once upon a time...

Let us start with a short story. It is about a farmer and his two children. This farmer took over his own father's farm many years ago. At that time, the farm had ten cows. In all the years that followed, he continued to expand the farm with consistent work. Today, the farmer owns 80 cows and his entire family is involved in the daily work. His two children make an important contribution: the older child has consistently followed in his father's footsteps. Like him, he looks for ways to optimize the farm and add more cows. His younger child is different: He is interested in alternative ways to grow the farm. He has reservations about relying only on the dairy farm with cows and wants to experiment with new things.



The farmer finds it easy to talk to his older child. He has lively conversations with him about investments and expected returns in the business of milk production. They discuss the possible difficulties in the market and which optimization measures they can use to grow their business. They have a common language and the same goals to guide them.

The farmer has a much harder time with his younger child. He talks about trying new things: organic dairy farming, supplementing with goat's milk, using pasture to grow new vegetables or fruits, and setting up a farm store. He talks about trials he wants to conduct to find out what might appeal to customers. He can't promise specific returns on his ideas now, but simply wants to try new things. For the farmer, these conversations are far too vague and unspecific. He doesn't understand his younger child and can't converse with him in the same excited way he does with his older one. Sometimes he even gets rude and asks him to provide concrete profitability of his "crazy" ideas. Then they could talk about financing. But at this point, this is not yet possible for the younger child.

The farmer pays more attention to his older child while he pays less and less attention to the younger one and his ideas. Finally, the younger child leaves the farm and tries to find his luck elsewhere.

Five factors that inhibit discovery mode in practice

Like the farmer in this story, business leaders who aspire to drive innovation alongside day-to-day operations must deal with two very different modes of operation and their "languages" (approaches, principles, metrics and relevant questions): execution mode (the older child) and discovery mode (the younger child). But unfortunately, this is not an easy task – why is that?

1. Daily Business eats innovation for breakfast.

No matter how good your intentions are regarding your innovation projects, as soon as the budget gets tight, especially resources, day-to-day business is usually prioritized and innovation is put on the shelf. Innovation is important in many companies, but often not urgent, and thus quickly draws the short straw in critical situations. This prevents continuity in discovery mode. Employees rarely see an opportunity to stand out in innovation projects. They are often pulled into operational business at short notice or can receive recognition for their achievements much more quickly there. As a result, fluency in the use of suitable principles and methods of the discovery mode cannot develop in the company.

2. There is a lack of understanding that innovation projects require a different operating system than operational business.

Operational business, which is in the spotlight 90% of the time, is continuously refined and the necessary optimization methods and tools are implemented and introduced at all levels of the company. Managers are engaged in Operational Excellence programs, the KPIs are defined and trained business approaches become second nature. They perfect the language, methods and conditions for execution. Unfortunately, these are completely unsuitable for dealing with radical innovation projects (see point three) and so many managers approach innovation like an optimization problem, resulting in small but unsatisfactory successes in the long term.

3. There is a lack of fluency with the vocabulary for innovation projects.

By innovation language, we mean the approaches, principles, metrics, and relevant questions that are beneficial to the effective realization of an innovation project. Challenges arise from the fact that the task of an innovation team is primarily to reduce uncertainty quickly and cheaply, while operational business and its sufficient predictability is about efficient execution.

Here are a few examples of the differences:

Language	Execution Mode (operational business)	Discovery Mode (innovation project)
What to discuss with the team	Compliance with deadlines, comparison of achievements with the plan, possibilities for continuous improvement	What is the idea? How does it benefit whom exactly? What is particularly uncertain about it? How can key uncertainties be resolved as quickly and cost-effectively as possible?
Key financial question	What is my expected return	What is my affordable loss
Dealing with contingencies and the unexpected	Using risk management to largely eliminate contingencies	Meet contingencies with interest and see how something can be made out of it
Start of an initiative	Derive resource requirements from clearly formulated objectives	Start with the resources available to follow an initially broadly formulated strategic ambition.
Key task	Realize according to plan	Explore and reduce uncertainty
Key KPIs	Quality, time, cost, revenue	Validated learning
Approach	Structured project plan results in necessary time and resources	Hypothesis formulation and testing in defined time frames (sprints)
Archetypes of leadership	Manager	Entrepreneur

It is as if you were trying to communicate in a foreign language. If you only know your mother tongue, this will be very difficult, exhausting for both parties and full of misunderstandings. However, if you are fluent in both languages, it will be easier for you to make connection, to be received in a friendly manner, to have lively conversations and to listen to each other in mutual appreciation.

Transferred to our situation, this means that it is necessary for successful innovation leaders to acquire a new language for the discovery mode, in addition to their own native language (execution mode). They should also be able to switch very consciously between the two languages based on the context. However, this is a challenge in two ways:

- Learning a language for just a few occasions and not having many opportunities to practice proves to be difficult. So, if you spend 90 percent of your time on day-to-day operations, when do you find the time to practice and assimilate the approaches, principles, benchmarks and questions needed to effectively lead an innovation effort?
- Even if you have a good grasp of the language of both parties, the key is to choose the appropriate one for each context. It is not realistic to demand a robust business plan in the early stages of an innovation project. In the same way, it is not appropriate to decide to build a new production hall based on the affordable loss.

4. Innovation projects are not given the appropriate attention.

The key impact of the lack of appropriate language for innovation at the executive level is that (as with the farmer story) there is not enough appreciation and attention given to innovation projects. Innovation teams that are confronted with the demand of expected returns and committed timelines quickly become frustrated or disoriented, because the first step is to explore what potential customers actually find useful. What they really need at this stage is a sincere interest on the executive's part, both regarding the basic idea and encouragement to investigate the many initially unanswered questions in the outside world.

However, it is also not about offering the innovation team the land of milk and honey or a playground. Innovation teams should and want to measure themselves against challenging specifications. However, these must be formulated in the language for innovation projects. For example, one might ask about the number of interviews conducted in person with target customers and the insights gained from those interviews. Continuous interest and engagement from the executive about the innovation team's progress regarding content is the most important fuel for the success of an innovation project.

5. The effort required to establish the conditions for a viable innovation team is underestimated.

Innovation teams have the primary task of quickly reducing uncertainty about the viability of an idea in terms of customer excitement, business model and technical capability. For this, the support of their leaders is crucial. At the beginning, there needs to be sufficient dialog to clarify the strategic ambition that is being pursued with an innovation project. The team needs to sufficiently understand the motivation and expectations of the leadership and adopt the associated expectations as their goals. During the project, the team will often encounter unexpected hurdles that need to be overcome in unconventional ways. Here, the team often needs support to avoid drowning in bureaucracy or being weakened by having resources pulled away. The sincere interest of the leaders, for example through regular meetings in the team project environment, helps to maintain a high level of energy within the team and to make necessary decisions together.

Finally, one important point should be mentioned here: Innovation teams will be confronted with unexpected feedback from the outside world in response to their exploratory work. Customers may not see sufficient value in the idea or may not be willing to spend what the company hoped for. It is important that the leader does not misinterpret this feedback as a failure. Instead, they can discuss them with the team as important insights and provide guidance on whether and how far to deviate from the original path. Sometimes this can also mean stopping a project – people often wait far too long to do just that.

Keeping both children in the company

In our work with innovation leaders and their innovation teams, we have seen the difference it makes when leaders think critically about their previous actions in light of the five problematic points described here. When leaders use this to expand their repertoire of interventions and consciously apply them depending on the context, the successes usually speak for themselves. We are convinced that in the future, rapid innovation will be as much a part of the daily bread of successful companies as efficient executions. For this, the operating system for innovation with its appropriate language must find its way into all levels of the organization and be used correctly depending on the situation. Or, in the image of the story at the beginning: It is important for the farmer to speak the language of both of his children, because only together they can ensure that the farm is successful today AND tomorrow.