

Entrepreneurial Bet

Innovation Strategy Part 1

Project review counsel, innovation portfolio management board, innovation review committee, board innovation decision committee. Project reporting, portfolio reporting, innovation performance reporting, traffic light innovation summary, aggregated board innovation review report. The thread of project control installed by many companies resembles more closely a hawser fit to tow a super-tanker. What drives organisations towards such a control over-kill?

At the very core, innovation is a gamble, an entrepreneurial bet. Management bets a huge amount of company resources on innovation success, aiming to win a jackpot filled with attractive products and competitive advantages. Due to the time-consuming nature of innovation, this bet is not short lived but reappears again and again, requiring management to answer the same question again and again: do you raise the stakes or fold your hand?

Gambling Consequences

First, betting is gambling, and gambling comes with the risk of losing. Second, for most humans, managers included, risk triggers powerful emotions like uncertainty and fear. Third and final, gambling is about taking chances and taking chances equals loss of control.

Regardless of the gambling-inherent loss of control or probably due to it, uncertainty and fear drives gamblers nevertheless to strive for the unachievable, total control. Quite frequently the end result is a control mania, a densely woven network of control steps and mechanisms, creating an illusion of control and an illusion of certainty.

These consequences are always present and unavoidable since they originate in the very essence of gambling. Dealing with them requires maturity from management, since giving way to them will severely impact innovation performance.

Endure and Resist

Just like any other entrepreneurial bet, innovation comes with uncertainty and fear. Uncertainty with regard to the outcome, fear of damage to the company, fear of personal consequences and ultimately fear of losing an attractive job. Even well-versed



„Loss of control.“



managers will experience uncertainty and fear in the wake of entrepreneurial bets and innovation is one of the worst, due to its black box nature. Fatalistic managers will simply suffer fear, while mature managers will actively decide to endure uncertainty and fear, understanding that they need to resist the temptation of control mania.

Managers lacking both fatalism and the necessary maturity will fall prey to the temptation of control illusions. Project teams are controlled by review boards, being controlled by supervisory boards which in turn report to advisory and management boards. The amount of resources necessary to feed this board structure is already significant but negligible compared to the resources invested in the reporting that is required to keep the different board levels pseudo-informed and happy. Even worse, the rigid control and reporting corset prevents agile adaption.

Few project teams will be ready to explain to the entire committee cascade that they changed the project plan again since the previous one contained wrong assumptions, just like the three others before. Eight out of ten teams will either follow a deficient project plan to the letter or, even worse, operate outside the plan, thus rendering the entire control structure obsolete.

The key to deal with fear and uncertainty in the wake of innovation processes is maturity, especially at the management level. Maturity to endure fear and to resist the longing for certainty.

Drive Quality

The topic quality is frequently as thrilling as watching the drying process of fresh paint. Consequently, quality is delegated by management to those people who enjoy discussing the design of a form, the number of signatures required and the number of copies to be archived. As far as the entrepreneurial bet Innovation is concerned, this is a somewhat risky approach.

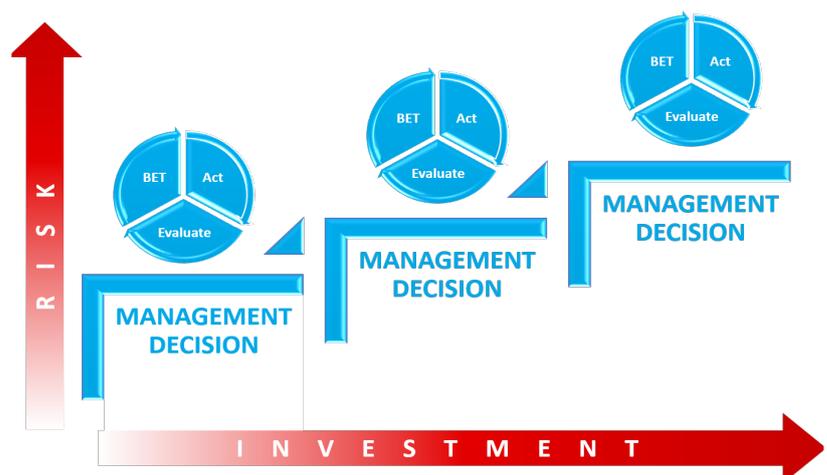
For months or years, management will be asked again and again whether the gamble goes on or not. Each of these decisions to either fold and lose everything achieved so far or to raise the stakes and invest even more is supposed to be data driven.

Obviously, data driving management decisions should be quality data – correct, reliable, resilient and so on. Strangely, manufacturing units are frequently required to run extensive quality systems to produce quality, whereas Innovation Units are required to, well, not a lot as far as quality is concerned. While manufacturing quality needs effort, innovation quality is expected to drop out of the blue.

„Maturity to endure.“

„Feeding the control apparatus.“

„Control mania backfiring.“



As an entrepreneurial bet and as one of the most capricious business processes, Innovation requires quality and management would be well advised to mistrust any miraculous quality genesis. Management should rather drive the Innovation Unit towards an effective quality system that is nevertheless smart enough to be feasible and easy on the resources (for details see www.linkedin.com/pulse/innovation-quality-management-guidance-required-markus-henrich/ and www.dr-henrich.com/publications/permanents/).

Trust or Change

“The best way to find out if you can trust somebody is to trust them.” Most likely Hemingway did not have the management of Innovation Units in mind when stating this sentence which also seems a bit starry-eyed, at least at first glance. On reflection, however, he is right on target, even for innovation and Innovation Units.

Is there any real proof that Management cannot trust an Innovation Unit to do a successful job? In case there is, why is the Innovation Unit still around? Why are there no team changes, changes in team operation or changes in team leadership? Real reason not to trust is a very good reason to change.

On the other hand, without any solid proof of built-in innovation failure, why not trust them to do a successful job? What is really achieved by the control mania of board cascades and reporting confetti, apart from wasting resources and removing focus from objectives towards plans and reporting?

Dealing with the Entrepreneurial Bet

Successful innovation starts with management fully recognising that innovation is an entrepreneurial bet, followed by management acceptance of the resulting consequences such as uncertainty and fear. Maturity to endure both and to resist control mania is another important ingredient, together with the willingness to trust if deserved or to change if not. Last and final, even boring topics like quality need to find their champion in management.

Measuring Success

Planning, reporting and control mechanisms are sensitive probes to test an organisations maturity with regard to the entrepreneurial bet.

Project plans need to change as knowledge increases. The faster innovation proceeds, the more changes should be expected by management. The number of changes and the ease of changes is proportional to the organisations agile adaption to innovation reality.

How complex or simple are the reporting and control structures for innovation? Is it possible to draw the entire decision process including rights and responsibilities on a

*„Drive Innovation
Quality.“*

„Trust or change.“

*„Accept, endure,
resist.“*

~~failure~~
success

beer mat? Is a larger sheet of paper required? Maybe an entire flip chart? Simple structures make life easy for those which are actually driving innovation – the people at the bench, generating data, knowledge and ultimately innovation.

Agile changes, simple reporting, simple control structures, if those can be achieved – perfect. If not, just give me a call.

Once these foundations for successful innovation are available, innovation strategy can be addressed. More to that in one of the next issues.