Ralph Christian Ohr

How ambidextrous organizations can integrate innovations back into the company

Speakers:

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Ralph Christian Ohr

Expert Interview transcript:

Nick Skillicorn: Hello, everyone and welcome to another expert interview at the Innovation & Creativity Summit 2017. Great to have Dr. Ralph Chrisitan Ohr with us today who is the founder of Integrated Innovations and a specialist in the concept of dual innovation, which is what we are going to be talking about today.

Dr. Ralph Christian, it's wonderful having you here.

Ralph Christian Ohr: Thank you, Nick. Thanks for having me and I'm really happy to contribute to this great event of creativity and innovation summit.

Nick Skillicorn: No problem. Now, for people who don't know you or the sort of work that you've been doing, can you give us a bit of a background as to where you started and how you got into innovation?

Ralph Christian Ohr: Yeah, sure. I'm actually German. My background is I graduated physicist and I'm basically living and working for more than 13 years in Switzerland. So I've been working in different corporate functions like property development and relation management and more on the technical side and product management later on more on the corporate side, meaning building up corporate innovation capabilities, strategy development and so on and so forth.

And yeah, I discovered that the conceptual work is very exciting and that many companies have in common that they lack some conceptual thinking on the innovation side. And that brought me up into the innovation field as well.

Nick Skillicorn: And what we're going to be speaking about today is primarily around something you're known as bit of a specialist as which is the concept of ambidextrous organizations and dual innovation. Can you give us a background as to what that is at its simplest level?

Ralph Christian Ohr: Sure. I mean ambidextrous innovation or also referred to as organization ambidexterity or we coined the term dual innovation because it's a little bit more ambi so to speak. It's basically – traditionally, companies have tried to tackle incremental, sustaining innovation and more radical or disruptive innovation with one common approach. It has turned out that this stuff work very well.

And so, a different approach would be you basically choose the dedicated approach for the incremental and sustaining stuff on the one side and another one or a dedicated one for a more radical or disruptive stuff, meaning basically, innovating the core business on the one side and exploring and scaling the newer stuff or the more explorative innovation on the other side with some special overlap of course between the two fields. So this is the basic concept.

Nick Skillicorn: And I noticed you used two words which we're probably going to hear again and again. It's explore and exploit. What do you mean by that?

Ralph Christian Ohr: I mean exploit, you can consider this with regard to commercialization for example. And you really have to make money to keep your value out of these innovations. So this is the exploitation part. So this is important. It's to gain cash to keep your value.

On the other side is more of the value creation I would say so that the initial part of the innovation process. So think about new things, new stuff, and sometimes from the stretch and then we immediately have to think about how can I get this explorative stuff over to the exploitation. And then you have this product previously that this kind of overlap to the middle ground and you to integrate both fields.

Nick Skillicorn: And is exploration and exploitation just fitting in with the type of innovation you're trying. So if you are doing incremental or sustaining innovation, which is very similar to the sort of products you've been developing for the last couple of years, decades, hundred years, whatever your company, is that always exploitation and then the future stuff, the more breakthrough stuff, is that always exploration or is it not that cut and dry? Not that clear?

Ralph Christian Ohr: I mean one dimension you can think about is let's say – let's call it time to impact. So usually, there is some relation between short time to impact and the more exploitation part, incremental part because you could imagine that let's say, developing another type of an existing product takes much – takes less time than you build up a completely new business model for example.

So, there is some relation. But I actually prefer not to think in terms or just to think in terms of time to impact but more generic in terms of let's say step with or proximity with regard to the point of reference of the interesting core business.

Let's imagine you have a business unit manager with an interesting business that he will be forced to innovate. It usually just keep the stuff that you know you can make money out of based on what you can bring to the market within your given KPIs. For example, operational

KPI. So you wouldn't probably pursue very explorative innovations or stuff, and that's the mismatch. Most companies are struggling with KPI and you have to think about whether the existing innovation system or operation's functions well enough to cover these basically equally important types of innovation.

So I think that's the main topic about doing innovation. You have to start.

Nick Skillicorn: Now, right at the beginning, you mentioned that a lot of companies approach all types of innovation in the same way. So they try and innovate incrementally and sustainably in the same way that they innovate the sort of future breakthrough product. And I think a lot of the people listening would like to just get a bit more detail on what you mean by that. What are companies actually doing wrong?

Ralph Christian Ohr: Sure. I mean a good example is the commonly employed linear relation process or also referred to as stage gate process. If you find a sequence of stages and gates so this is normally used in most companies. And so, many companies try to create this process with different types of innovations. And normally, in the stage gate, one of the first gates covers the economic viability of innovation. So this works well for let's say with the known field so if you move within a field you already know.

For example, a portfolio extension and a new version of an existing product where you know your marker and you know your customers and if you have a kind of guess of what the forecast could be, what the numbers could be later on then it's pretty much straightforward.

But if you have a really new explorative stuff such as building up new business model for example. So for this, you basically start from the scratch. You have to create a market, the original market so that the whole process, the whole system does a bit with this point of innovation. So you really have to protect all these end of the spectrum a little bit different.

Nick Skillicorn: And that's why this concept of dual innovation comes in. So what is dual innovation? Can we go into a bit more detail about how that works?

Ralph Christian Ohr: Sure. My understanding is basically you have two – basically, two playing fields. You have a playing field. You have to extend your core business. You have to develop your existing core business, meaning innovating within operational units, existing corporation model for example by adding additional sales channels, by adding new product, by making changes in the supply chain for example. But this is still existing operating model. So this would be one field.

The other field is really the field of new stuff that needs incubating with dedicated people. For example, incubators, accelerators, some kind of lapse when we look at the whole future ***[0:10:53] [Indiscernible]***. So it's that incubation vehicle I would say. And you really try to start in new product, new business models, new technologies.

And so, these are let's say the dual playing fields basically. But they are not completely isolated because dual innovation is very much about balance between separating these two playing fields or these different types of innovations.

But also, sufficiently integrating them, meaning that these exploratory innovations are also allowed to leverage existing assets and competencies from the existing product because this gives them an edge to stay up later on and this is also I would say a huge advantage of corporations compared to standalone startups when it comes to exploratory innovation.

Nick Skillicorn: And how do you create these two playing fields? Is it about creating one division within a company, a startup lab, an incubator, a sort of place where all they do is try out new things and experiment and innovate or is it trying to bring it as part of the jobs that people do on a day-to-day basis?

Ralph Christian Ohr: Yeah, it's a good question. I mean there is no one size fits all or no recipe. But I would say it also depends on the degree of the innovation. I mean for example, what we have learned from playing ***[0:12:55] [Indiscernible]*** and I think this definitely be right on this one is if you would like to build up an entirely new business model. So the worst place is within an existing business model. That means you have to kind of separate out these activities in terms of space. You have a dedicated space. You have to have a dedicated budget. You have dedicated full-time resources.

I'm of the opinion that if you really want to try new things, you have to rely on full-time resources. Many companies try to go with part-time resources beside the daily business, but you can imagine that – I mean startups, they have full-time resources. And if you want to compete with them then you also have to think about putting in full-time resources to building it up as quickly as possible with the highest intensity.

And so, I think we have to consider every individual company. And so, they have some already or probably some structures in place but I think it's basically a good start to think about a dedicated space with a dedicated budget and dedicated personnel to really drive these new things, a little bit protected from the core business and from the daily operations in order to get it incubated and get it growing and to prevent it from dying to pursue too early.

Nick Skillicorn: And are they going to be focused on all of the innovation for the company or just this small breakthrough stuff, the exploration stuff that you alluded to earlier?

Ralph Christian Ohr: I think these kind of structures, they are really dedicated to more exploratory stuff because the more incremental stuff extends to drive this out of the existing operation unit because that's their own turf, that's where know-how resides. And so, I think it really has to be separated.

But also with a kind of overlap in order to have a kind of exchange in terms of capabilities in terms of know-how, in terms of assets and – but that's what I say, the critical balance between separating the innovation activity and integrating them. And I think there is no recipe but there are some levers where you can have a look of how you can fill it up.

Nick Skillicorn: You talked earlier on about the life cycle, the stage gate process that a lot of companies try to force on all of the projects including the ones where it doesn't really fit. So, are you suggesting that for these breakthrough innovation-focused parts of the company that they have other sort of ways of managing innovation. Have you got any advice for companies on how they can do that, how they can manage progress and measure progress?

Ralph Christian Ohr: Sure. I mean I think both parts of innovation, they require dedicated environments with regard to the right persons, the right mentality, the right measures, the right vehicles or instruments. So what is the stage gate more for the exploitative part for example, this can be a design thinking or a lean startup approach which we described at the moment for the early parts of exploratory innovation.

And where it gets challenging then is if you try to transition the early launchers towards the core business or to commercialize or to exploit it. And that's where you have to link these two parts and it's where it gets challenging and difficult because you have to – I think it's intuitive and it's definitely clear, you have to combine two different worlds with regard to performance indicators with regard to the culture, different cultures, different processes, different approaches.

So that's the middle part. That's basically also the link to another concept of the three horizons of what you've been talking earlier with other people. And this is the middle ground of the horizon two where it really gets difficult and what probably is the most important part in the whole setup.

Nick Skillicorn: Yeah. We had a discussion with Paul Hobcraft around the three horizons framework. And he also said the horizon two where it's not just the incremental innovation to business as usual and it's not just the really forward-looking future problems. It's the innovation where you're actually having to transition it into the business and it's different enough from what has gone previously but it's actually having to happen.

That's when a lot of companies struggle. And it's this challenge of integrating as you said, the new business models, the new products, the new offerings back into the business. That's going to determine whether or not dual innovation is successful of not.

So do you have any advice on how companies can prepare for the challenge of integration and what sort of things are going to either prevent it working or really help it working?

Ralph Christian Ohr: I mean what we are currently doing is doing these two together with a partner, Frank Mattes. We have established a kind of what we call a scaling up initiative. So this intends to tackle this scaling up of new ventures and its ambition to work the core business.

And so, the basic thinking model for this is that's what basically is happening in part of horizon two. If you try to change horizon three ventures towards the horizon one or towards the horizon two, and the thinking model basically is you also have to rely on a suitable process for this. We'll most probably not be a pure lean startup process for example of something like this because that's what you usually use in the frontend or in the horizon three.

This will also not be a pure stage gate or a linear process. This will be something in between. And to connect the horizon three with the horizon one so it's a process issue with readable milestones.

And the other dimension is you have to think about what we call areas of tension. So you can imagine if you have two opposing worlds, the horizon one, meaning the core business with the existing structures, with everything very plannable, very established on one side and on the other side the new venture, very agile, very flexible, completely different culture, completely different leadership requirement.

So if you now try to combine these two worlds or to connect these two worlds, you immediately run into what we call areas of tension with regard to a leadership stream or a culture stream or people who wanted to indicator stream or the matrix stream and so on and so forth.

And these areas, they have to be mapped on to the process to cover this issue well. And that's what we are currently trying to do by setting up a dedicated initiative. We're trying to get leading companies on board for this. And we are I would say, well on track at the moment. And so, we will try to really build the kind of scaling up capability for these both horizons together with the companies.

Nick Skillicorn: Dr. Ralph Christian, it has been wonderful speaking with you. So far, we're coming up to the end of the interview. But one thing I'd like to ask all the experts is if you've got one piece of advice or one tip for anyone who is interested in trying this concept out that you can do very quickly in afternoon or over the next week, what would you recommend this person try out?

Ralph Christian Ohr: I think I would give the recommendation to do a kind of gap analysis. I mean I've been asked by many people to which kinds of startup innovation should we tackle, should we pursue, and should – the incremental relationship or more disruptive innovation? And I would say, "Well, it depends." I mean look at your core business, how it evolves and then compare it with your objectives over time. And then you immediately will see, is there a gap or isn't there a gap? And if you don't have a gap, you basically don't need to innovate.

Normally, the companies do have a gap and a large gap over time, so it's spreading, the gap. Then you immediately have to think how much contribution or how big innovation do I need over time? So, in one year, in two years, even in five or ten years. And this will lead you to think about what I need more? The incremental innovation or do I need the disruptive and radical innovation or do I need both? So this is the kind of basic strategy I would say good to start with.

Nick Skillicorn: Lovely. Perfect. We're going to get links down to all of your resources and website below the video here. Can you just let people know what they can find at those sites?

Ralph Christian Ohr: Oh well, the site we will refer to is my blog post. I think it's well-known and even awarded by your initiative. Thank you by the way. So it's Integrated Innovation. Basically, it covers many issues and topics around dual innovation and all of the people interested in that. So have a look at my blog.

And the other website is it's up since today for a couple of hours basically. It's dualinnovation.net. So it's really a little bit more focused on the dual innovation part. So how can companies go about dual innovation, and if you implement it, I think we shouldn't discuss any longer whether it's necessary or required but we should be more focused on how it gets implemented properly.

And we try to give some advice and some support on both companies and people who are really interested in implementing this concept in their organization. They should have a look at this site.

Nick Skillicorn: Perfect. It has been wonderful speaking with you and I look forward to speaking again with you soon.

Ralph Christian Ohr: Thank you, Nick. Thank you very much.