



Corporate Innovation: 14 Essential Concepts

Introduction

- Innovation is the lifeblood of any organization aiming to build (or maintain) its competitive advantage — and attract the best talent.
- This deck, assembled by InnoLead, highlights the 14 most essential concepts in corporate innovation to help organizations foster creativity, agility, and leadership.
- We define each concept; recommend additional reading; and provide a visual model or framework for each.

* We incorporated input from generative AI in this project to help make each concept succinct.



1. The Innovator's Dilemma

- Core Idea: Established companies often fail to innovate because they focus on sustaining innovations (serving existing customers) rather than disruptive innovations that create new markets.
- Takeaway: Prioritize long-term disruptive technologies/opportunities even when they challenge your existing business.

Additional Reading:

Book: *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* by Clayton M. Christensen

Article: "What is Disruptive Innovation?" by Clayton M. Christensen, Michael E. Raynor, and Rory McDonald (*Harvard Business Review*)

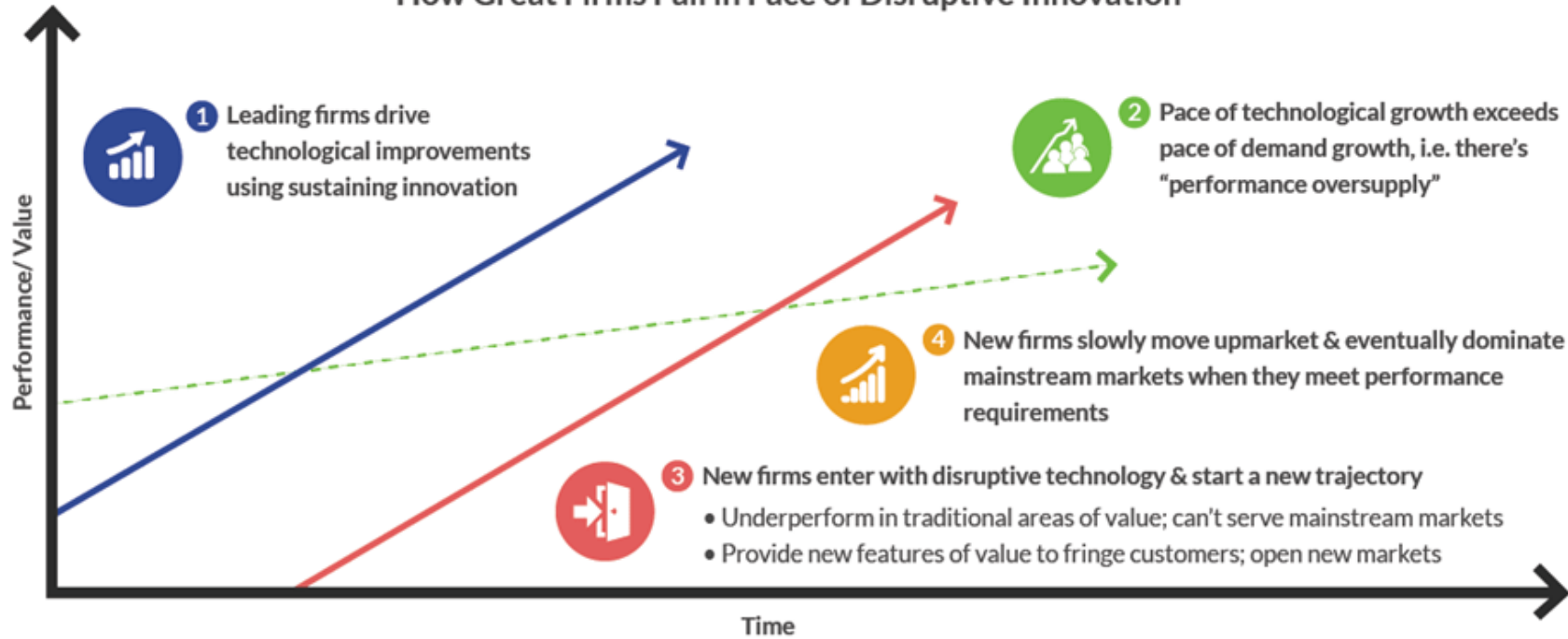
1. The Innovator's Dilemma

THE INNOVATOR'S DILEMMA



Because established firms consciously (a) listen to the needs of their best customers and (b) focus their investments on innovations with the highest returns, they tend not to commit to disruptive technologies until it is too late.

How Great Firms Fail in Face of Disruptive Innovation



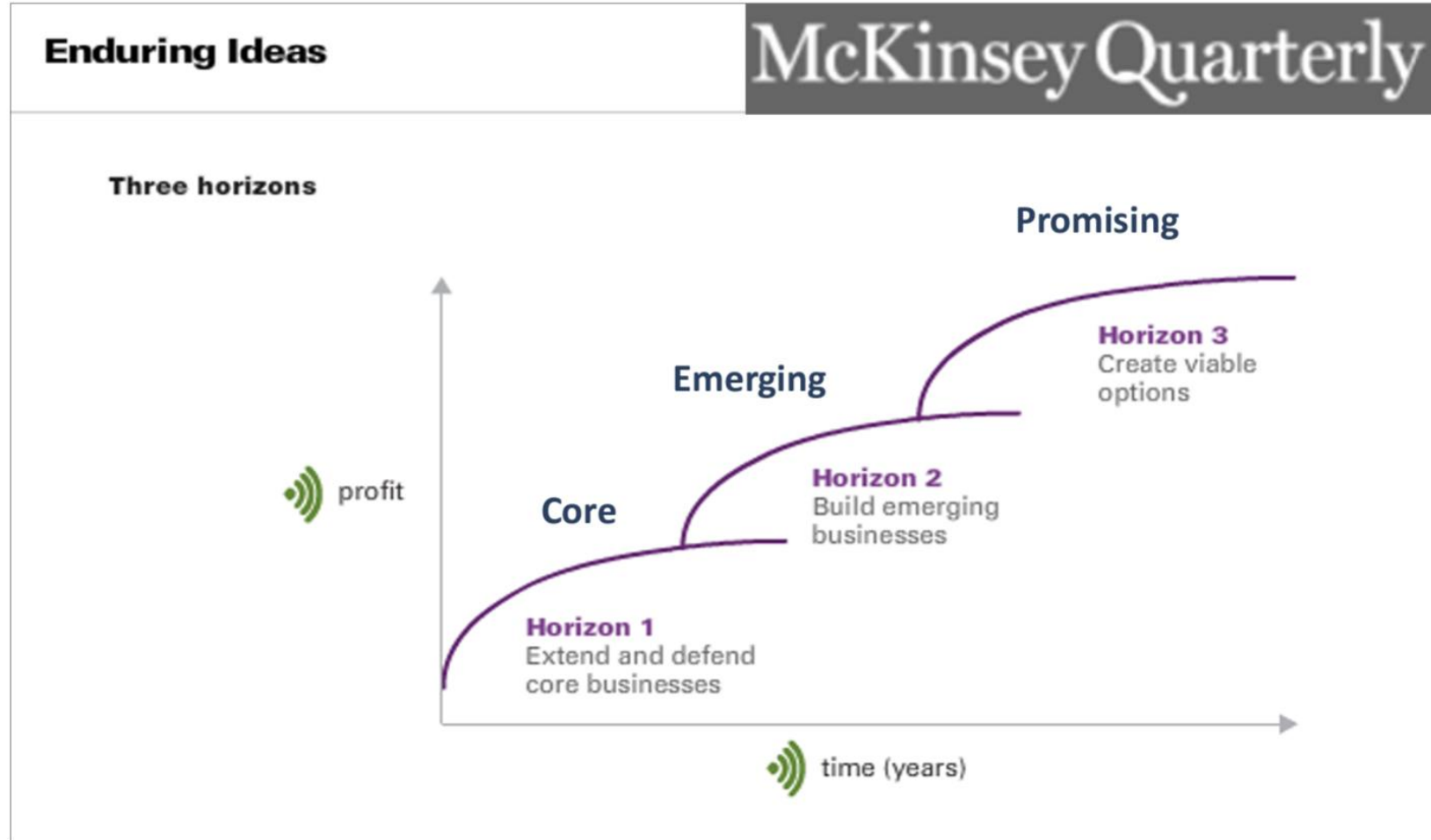
2. The Three Horizons of Growth

- Core Idea: Organizations should manage innovation across three horizons: sustaining the core business (H1), scaling emerging opportunities (H2), and creating transformational innovations (H3).
- Takeaway: Allocate resources across all three horizons for sustained growth.

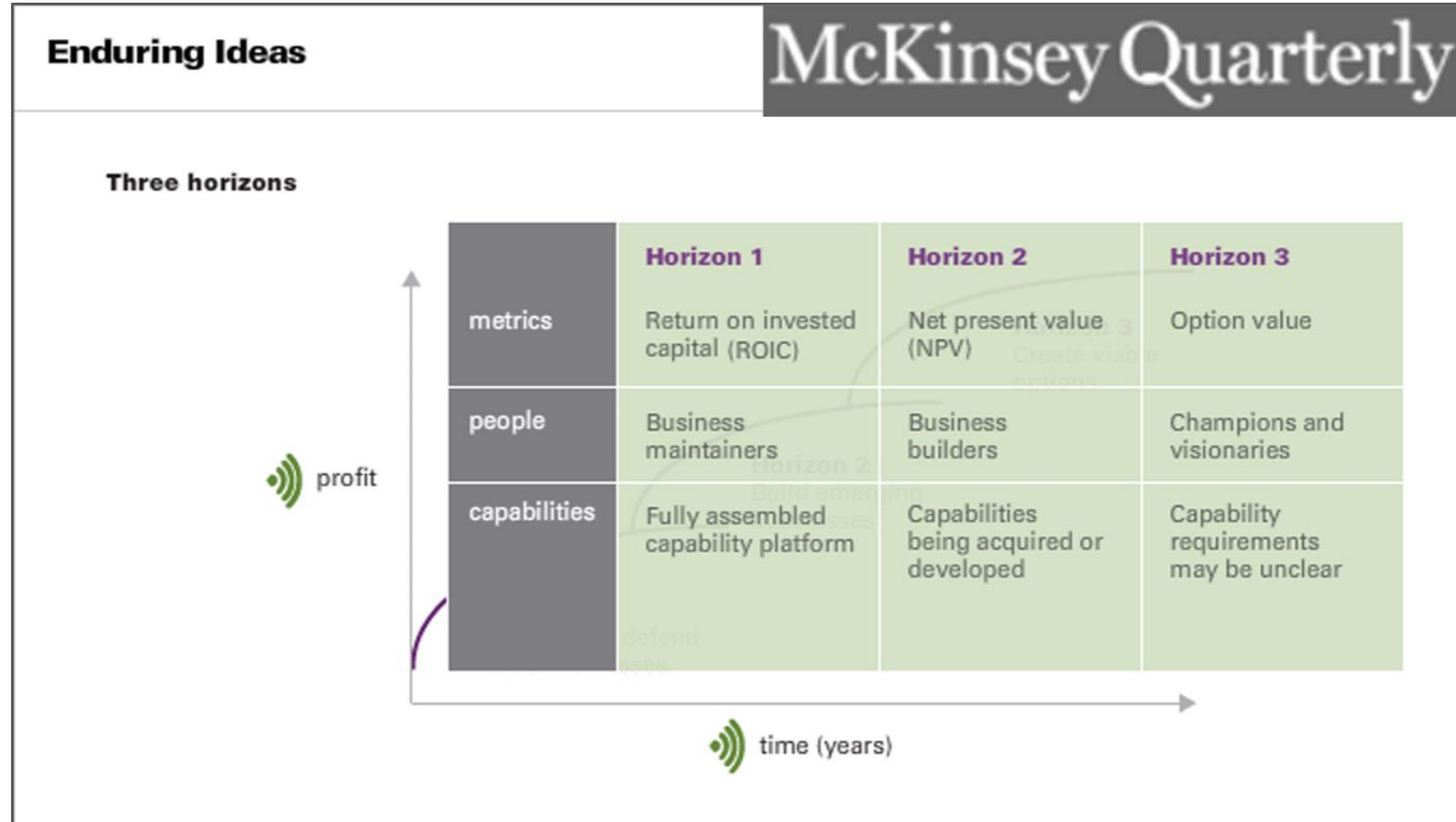
Book: *The Alchemy of Growth: Practical Insights for Building the Enduring Enterprise* by Mehrdad Baghai, Stephen Coley, and David White

Article: “Enduring Ideas: The Three Horizons of Growth” by McKinsey & Company

2. The Three Horizons of Growth



2. The Three Horizons of Growth



3. Open Innovation

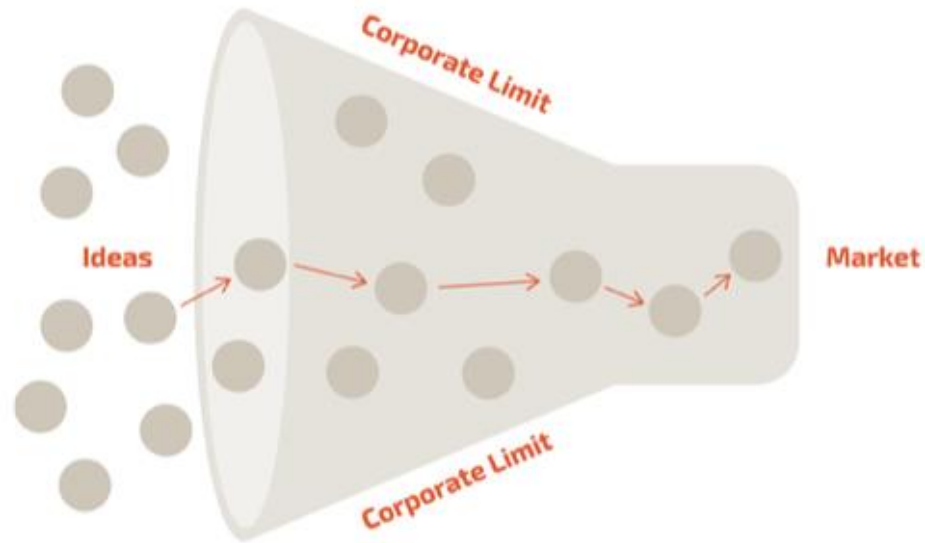
- Core Idea: Companies should leverage both internal and external ideas and paths to market, moving beyond closed, internal R&D models.
- Takeaway: Collaborate with startups, universities, and external stakeholders to accelerate innovation.

Book: *Open Innovation: The New Imperative for Creating and Profiting from Technology* by Henry Chesbrough

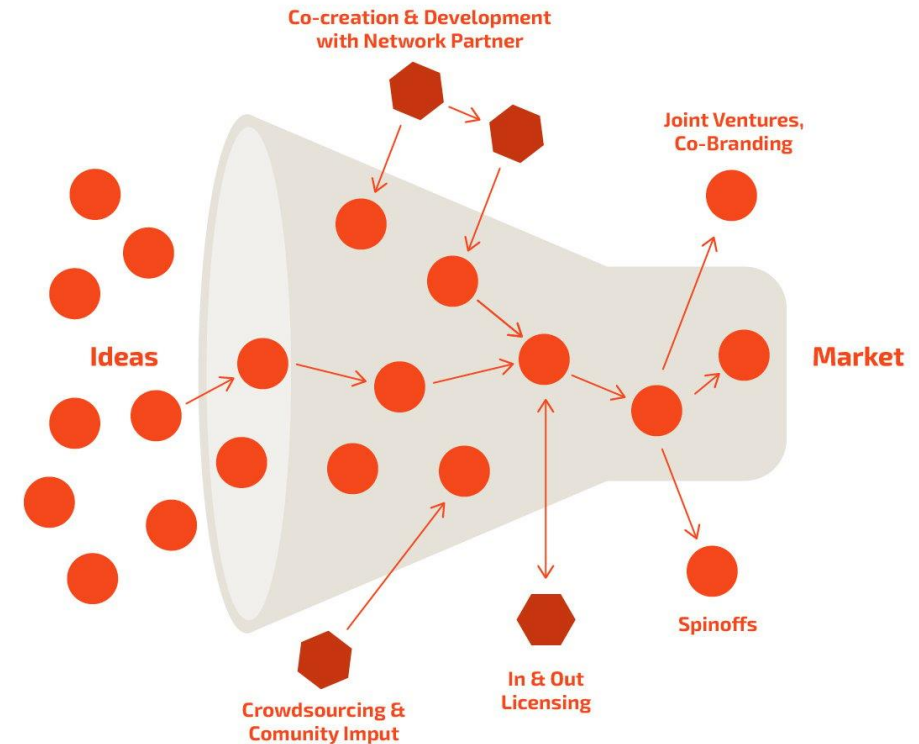
Article: “Open Innovation: Definitions, Benefits, and Examples,” InnovatingSociety.com

3. Open Innovation

Closed Innovation Model



Detailed Open Innovation Model



Source: Lead-Innovation.com

4. Lead User Theory

- Core Idea: Innovation can be driven by engaging with lead users who experience needs earlier than the general market.
- Takeaway: Involve lead users in co-creating solutions that address emerging market demands.

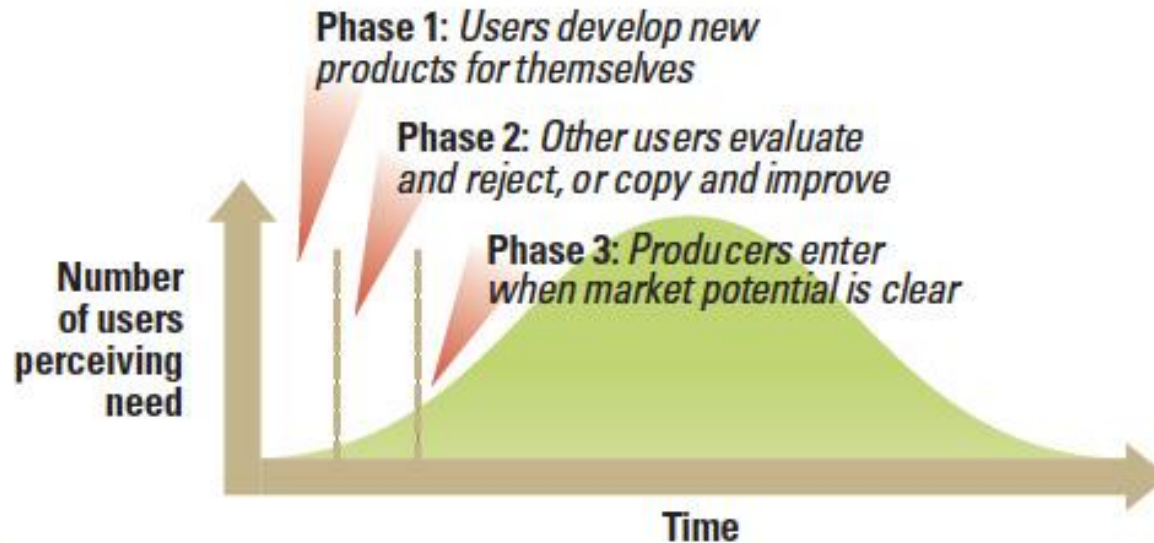
Book: *Democratizing Innovation* by Eric von Hippel

Article: “Lead Users: A Source of Novel Product Concepts” by Eric von Hippel (*Management Science*)

4. Lead User Theory

A NEW INNOVATION PARADIGM

In Phase 1 — the earliest stage of a market — users often innovate to create the products they want; then, in Phase 2, other users either reject or validate the initial innovation. If the user innovation is validated through adoption by others, in Phase 3 the market has grown enough to be interesting to producing companies, which refine and commercialize the innovation for sale to a growing market of users.



Source: MIT Sloan Management Review

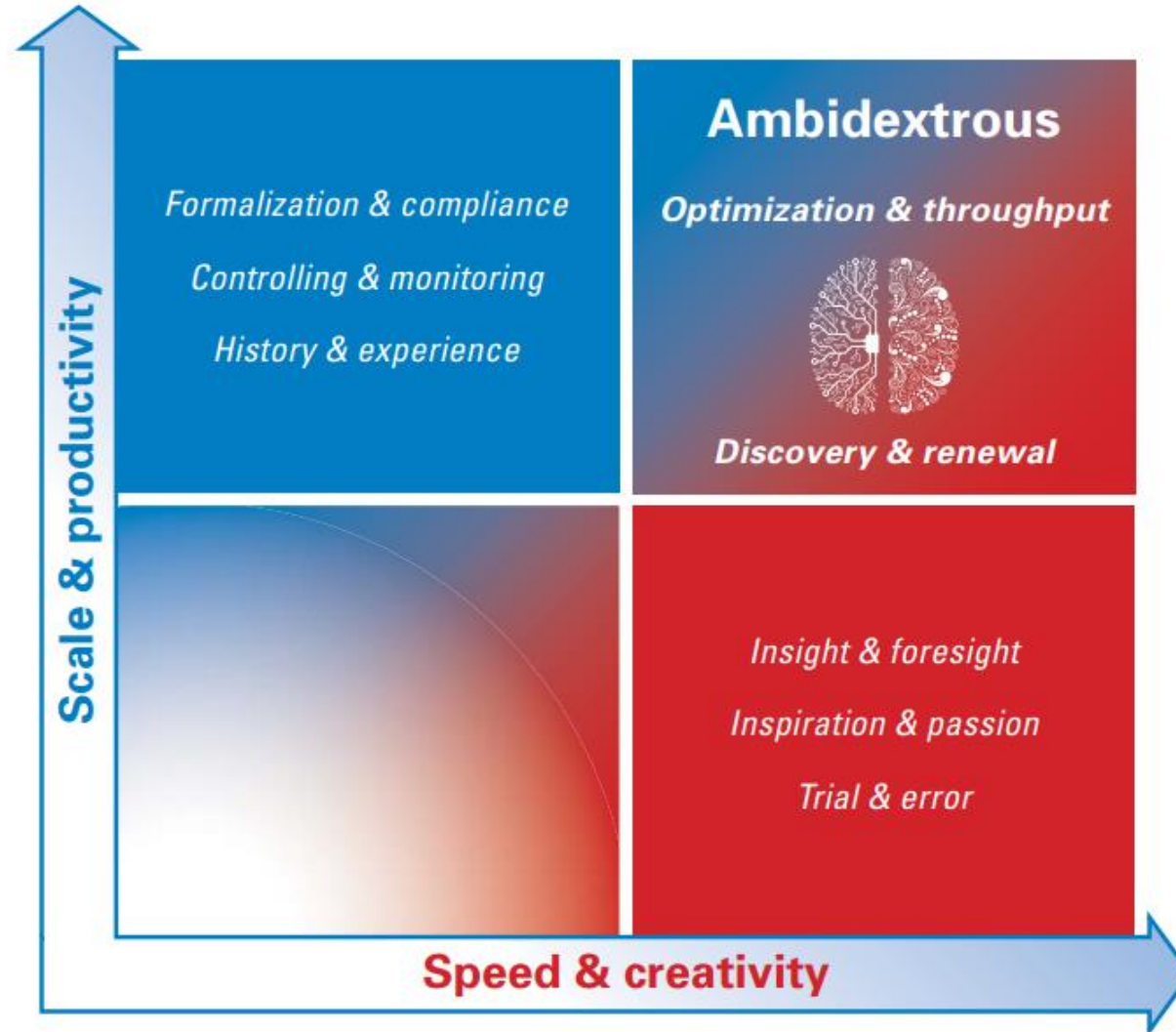
5. Ambidexterity

- Core Idea: Organizations must simultaneously exploit current strengths and explore new opportunities.
- Takeaway: Develop structures and cultures that allow both efficiency and innovation to thrive.

Book: *The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business* by Rita McGrath

Article: “Organizational Ambidexterity: Balancing Exploitation and Exploration for Sustained Performance” by Michael L. Tushman, Sebastian Raisch, Julian Birkinshaw, and Gilbert Probst (*Organization Science*)

5. Ambidexterity



Source: Arthur D. Little

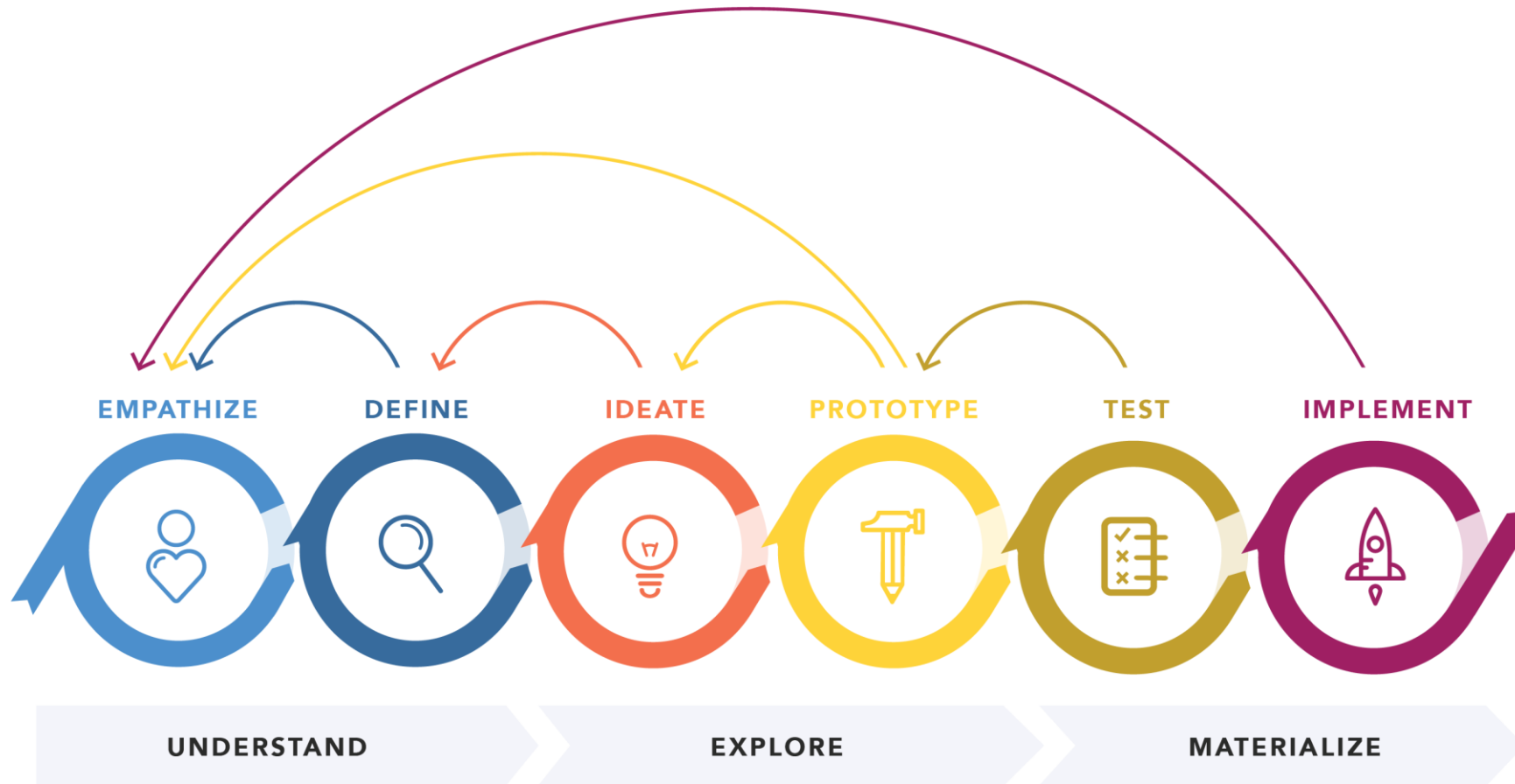
6. Design Thinking

- Core Idea: A human-centered approach to innovation that involves empathizing with users, defining problems, ideating, prototyping, and testing solutions.
- Takeaway: Foster creativity and user-centric problem-solving in teams.

Book: *Change by Design: How Design Thinking Transforms Organizations and Inspires innovation* by Tim Brown

Article: “Design Thinking Comes of Age” by Jon Kolko (*Harvard Business Review*)

6. Design Thinking



DESIGN THINKING 101 [NNGROUP.COM](https://www.nngroup.com)

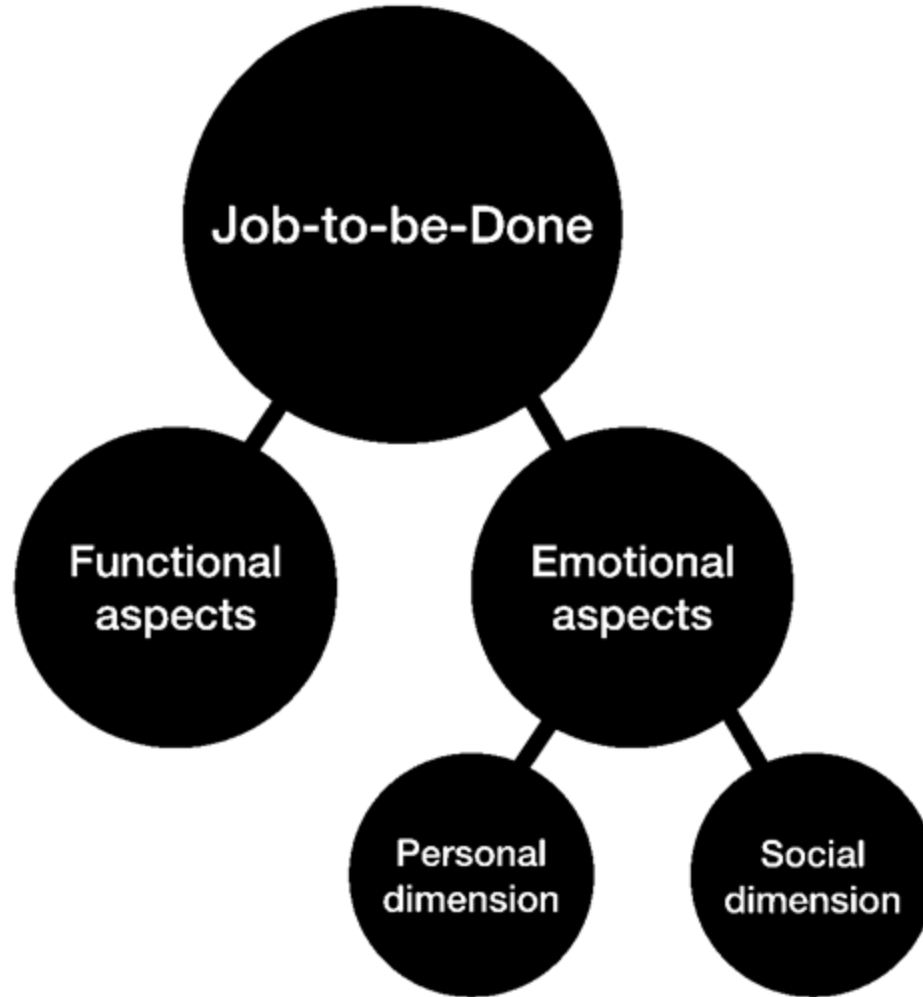
7. The Jobs-to-Be-Done Framework

- Core Idea: Customers “hire” products or services to get a job done.
- Takeaway: Understand the jobs customers want to accomplish to develop relevant innovations.

Book: *Competing Against Luck: The Story of Innovation and Customer Choice* by Clayton M. Christensen, Taddy Hall, Karen Dillon, and David S. Duncan

Article: “Know Your Customers’ ‘Jobs to Be Done’” by Clayton M. Christensen, Taddy Hall, Karen Dillon, and David S. Duncan (*Harvard Business Review*)

7. The Jobs-to-Be-Done Framework



8. Agile Innovation

- Core Idea: Apply agile principles (like iterative development, cross-functional teams, and adaptive planning) to the innovation process.
- Takeaway: Make innovation faster, more flexible, and better aligned with customer needs.

Book: *Agile Innovation: The Revolutionary Approach to Accelerate Success, Inspire Engagement, and Ignite Creativity*
by Langdon Morris, Moses Ma, and Po Chi Wu

Article: “Agile Innovation” by Bain & Company

8. Agile Innovation

Conditions favorable to Agile vs. traditional methods

Conditions	Favorable to Agile	Favorable to traditional
Market environment	<ul style="list-style-type: none"> Customer preferences and solution options change frequently 	<ul style="list-style-type: none"> Market conditions are stable and predictable
Customer involvement	<ul style="list-style-type: none"> Close collaboration with customers; rapid feedback from customers is feasible; customers learn more about what they want as the process progresses 	<ul style="list-style-type: none"> Customer requirements are clear at the outset and will remain stable throughout the process; customers are not available for constant collaboration
Innovation type	<ul style="list-style-type: none"> Problems are complex, and solutions are unknown; scope is not clearly defined; product specifications may change; creative breakthroughs and time to market are important; interactive, cross-functional collaboration is vital 	<ul style="list-style-type: none"> Similar activities have been done before; innovators believe solutions are clear; detailed product specifications and work plans can be forecast with confidence; conformance to specifications is important; problems can be solved sequentially in functional silos
Modularity of work	<ul style="list-style-type: none"> Incremental developments have value and can be used by customers; work can be modularized and conducted in rapid, iterative cycles; late changes are manageable 	<ul style="list-style-type: none"> Late changes are expensive or impossible; customers cannot start testing parts of the product until everything is complete; the minimum viable product is the fully completed product
Impact of interim mistakes	<ul style="list-style-type: none"> Interim mistakes provide valuable learning opportunities 	<ul style="list-style-type: none"> Interim mistakes can be catastrophic
Corporate culture	<ul style="list-style-type: none"> The culture is team-oriented, collaborative, innovative and eager to delegate; employee turnover is relatively low 	<ul style="list-style-type: none"> The culture relies on top-down direction and functional specialization; employee turnover is high, and mutual trust is low

Source: Bain & Company

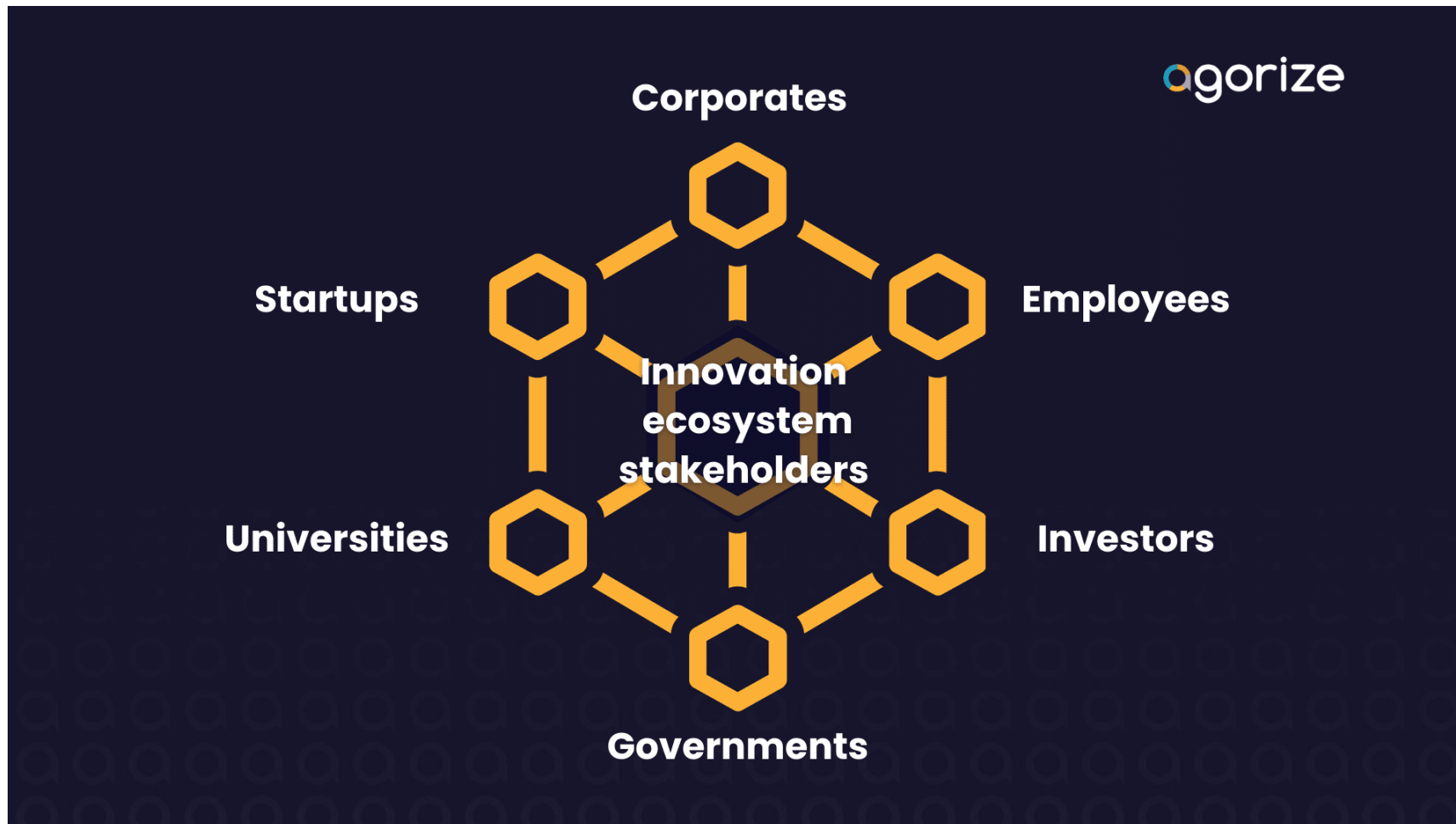
9. Innovation Ecosystems

- Core Idea: Build interconnected networks of partners, suppliers, and customers that co-create value and innovation.
- Takeaway: Emphasize collaboration and resource-sharing across the ecosystem.

Book: *Innovation Ecosystems: Increasing Competitiveness* by Martin Fransman

Article: “How to Create an Innovation Ecosystem” by Art Markman (*Harvard Business Review*)

9. Innovation Ecosystems



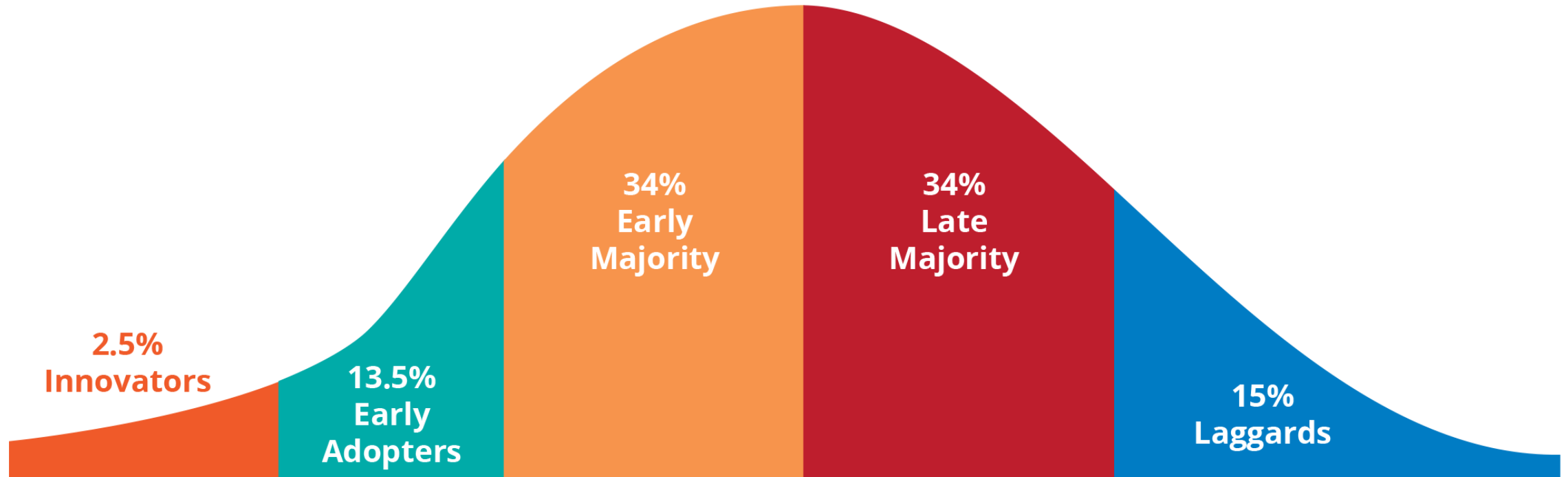
10. Diffusion of Innovations Theory

- Core Idea: Innovations spread through specific adopter categories (innovators, early adopters, early majority, late majority, laggards).
- Takeaway: Tailor your innovation strategy to target each group effectively.

Book: *Diffusion of Innovations* by Everett M. Rogers

Article: “The Diffusion of Innovation,” by Lt. Daniel W. Berger (CHIPS)

10. Diffusion of Innovations Theory



Source: Smart Insights

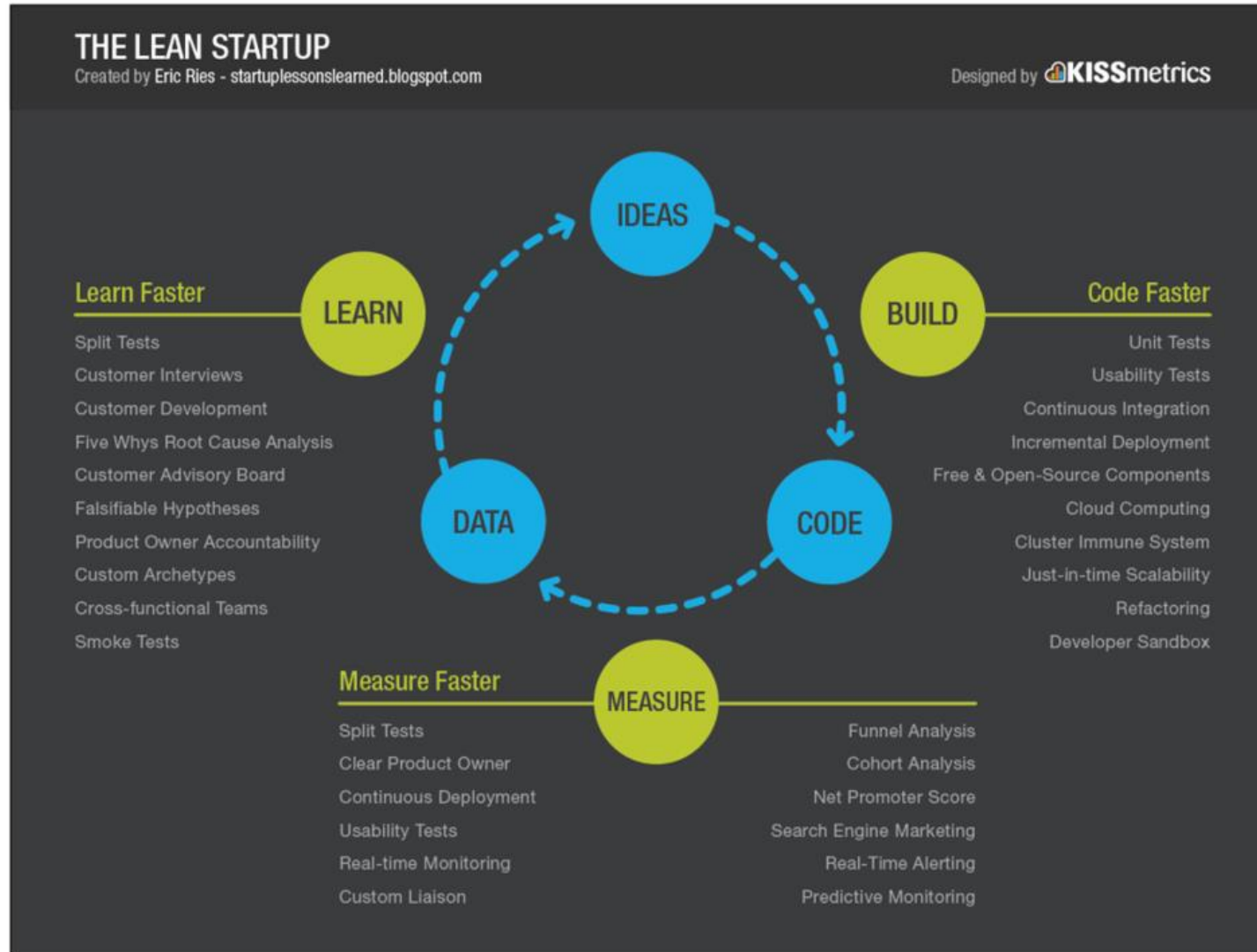
11. Lean Startup

- Core Idea: A methodology for building businesses and products that focuses on creating a minimum viable product (MVP), testing hypotheses, and iterating quickly based on feedback.
- Takeaway: Embrace a build-measure-learn cycle to reduce risk and ensure innovations meet real customer needs.

Book: *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* by Eric Ries

Article: "Why the Lean Start-Up Changes Everything" by Steve Blank (*Harvard Business Review*)

11. Lean Startup



12. Blue Ocean Strategy

- Core Idea: Focus on creating new market spaces (blue oceans) where competition is irrelevant rather than competing in existing markets (red oceans).
- Takeaway: Innovate by creating unique value propositions that address untapped customer needs.

Book: *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* by W. Chan Kim and Renée Mauborgne

Article: “Blue Ocean Leadership” by W. Chan Kim and Renée Mauborgne (*Harvard Business Review*)

12. Blue Ocean Strategy

RED OCEAN STRATEGY	VS	BLUE OCEAN STRATEGY
Compete in existing market space		Create uncontested market space
Beat the competition		Make the competition irrelevant
Exploit existing demand		Create and capture new demand
Make the value-cost trade-off		Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation <u>or</u> low cost		Align the whole system of a firm's activities with its strategic choice of differentiation <u>and</u> low cost

Source: Blue Ocean Strategy

13. Frugal Innovation

- Core Idea: Innovate by designing simple, effective, and affordable solutions, particularly for resource-constrained environments.
- Takeaway: Focus on efficiency and accessibility to open up new market opportunities.

Book: *Frugal Innovation: How to Do More with Less* by Navi Radjou and Jaideep Prabhu

Article: “The Rising Frugal Economy” by Navi Radjou (MIT Sloan Management Review)

13. Frugal Innovation

Innovating faster, better, cheaper

$$FI = \frac{\uparrow \text{VALUE}}{\downarrow \text{RESOURCES}}$$

- Customers
- Shareholders
- **Society**

- Financial resources
- Natural resources
- **Time**

Source: Navi Radjou

14. Business Model Innovation

- Core Idea: Rethinking how a company delivers value, not just the products and services it offers. One frequently-used tool is the Business Model Canvas.
- Takeaway: Regularly challenge and reimagine your business model to adapt to market changes.










Book: *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers* by Alexander Osterwalder and Yves Pigneur

Article: “Reinventing Your Business Model” by Mark W. Johnson, Clayton M. Christensen, and Henning Kagermann
(*Harvard Business Review*)


14. Business Model Innovation


The Business Model Canvas

Designed for: Designed by: Date: Version:

Key Partnerships 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		

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