Institutionalizing Innovation

Building an engine that produces a steady stream of innovative growth businesses is difficult, but companies that are able to do it can differentiate themselves from competitors.

Scott D. Anthony, Mark W. Johnson and Joseph V. Sinfield

Many of the case studies describing how established companies have created new growth businesses focus on a single success. The companies that get it right — such as ING Groep NV, with its ING Direct online banking model, and the Procter & Gamble Co., with category-creating products such as Febreze and Swiffer — surely deserve respect and admiration. Big company managers know how hard it is for market leaders to create innovative growth businesses.

The punishing thing about innovation, however, is that the contest never ends. Create a new market, and other companies come flooding in. Parry one threat, and up pops another attacker, hungrily eyeing your core business. Success requires being able to go beyond isolated wins to develop deep capabilities that allow companies to disarm disruptive threats and seize new growth opportunities repeatedly. It requires the ability to churn out successful growth businesses year after year, over and over again.

In *The Innovator's Solution,* authors Clayton M. Christensen and Michael E. Raynor discuss how to institutionalize innovation. They argue that companies should begin planning for innovation well before they need to by appointing a senior manager to oversee the resource-allocation process, creating a team of "movers and shapers," and training employees to identify disruptive ideas.[1]

This article builds on those ideas and incorporates our field-based insights from working with companies on innovation issues over the past five years. (See "About the Research," p. 46.) Companies that create blueprints for growth, construct innovation engines and support the engines with the right systems and mind-sets can establish favorable conditions for substantial innovation. Although institutionalizing innovation is hard work, companies that build and maintain this capability can create substantial shareholder wealth and differentiate themselves from competitors.

Create a Growth Blueprint

The first pillar of creating the capability to build new business involves articulating what the organization "wants to be" and allocating resources to achieve that vision. The senior management team must define strategic goals and

Scoff *D. Anthony* *is the president of Innosight, an innovation consulting firm in Watertown, Massachusetts.* ***MarkW. Johnson*** *is the firm's co-founder and chairman.* ***Joseph V. Sinfield*** *is a partner with Innosight and an assistant professor of civil engineering at Purdue University. They are the authors ofThe* Innovator's Guide to Growth: Putting Disruptive Innovation to Work, *scheduled for publication this spring by Harvard Business School Press. Comment on this article or contact the authors through smrfeedback@mit.edu.*

boundaries and create a balanced portfolio of growth opportunities that reflects their strategy.

Business leaders are often skeptical about the notion of defining strategic goals and bouradaries, believing that their strategy is already well defined and broadly known. Or they will argue that "removing boundaries" is the best way to allow managers to identify opportunities or create new growth. However, it is helpful for senior management to come to consensus around two topics: the strategic objectives and the specific options they will and will not consider to reach those objectives.

The first part of the discussion involves articulating the desired outcome of the company's innovation efforts and where it expects to find growth. Broadly speaking, growth comes from organic efforts or acquisitions that expand the core business, move into adjacent markets or create entirely new businesses. Companies should have a rough estimate of their financial targets and how much growth they expect to see from each of these categories.

Developing precise estimates is difficult, but even rough estimates can be useful. Consider the experience of a large consumer products company. Company executives estimated how much growth they expected from its core and from products in its development pipeline, and they were shocked at what they learned: Even under the most optimistic scenarios, it still needed to generate almost a billion dollars in new growth to meet its 10-year strategic objectives. Before the exercise, leaders had a vague sense that innovation was important. After the exercise, innovation became the No. 1 priority. The insight helped magnify the innovation challenge and rally key managers around the need to approach innovation differently.

About the Research

The findings described in this article come from three streams of research. First, we conducted in-depth interviews at more than 40 organizations representing a range of industries, including retailing, chemicals, financial services, telecommunications, consumer packaged goods and high-tech. The purpose of the interviews was to understand how the organizations structured for and supported innovation. Second, we conducted a detailed survey of managers involved in innovation activities in conjunction with International Business Machines Corp. and the American Productivity & Quality Center Inc. Managers from close to 100 organizations in 14 countries provided information about innovation metrics and practices in their organizations. (The survey findings are reported in "Innovating on Your Own Terms," by George Pohle and Steve Wunker, available at www.innosight.com.) Finally, we synthesized our fieldwork from the past five years with more than 50 companies, including Aetna, Nokia, Procter & Gamble, Johnson & Johnson, Dow Corning, Wacker, Syngenta, Time Warner and E.W. Scripps.

The second part of the discussion determines which strategies the company will — and will not — consider following in order to reach its growth objectives. Companies need to have consensus around what is "desirable," "discussable" and "unthinkable" along a number of strategic dimensions. (See "Strategic Dimensions Affecting Innovation," p. 50.) Our fieldwork on this topic has taught us several lessons:

Misalignment reigns. Even organizations that go to great lengths to develop strategic plans, define a vision for the company and coin mission statements find significant internal misalignment. The classic question of "What business are you in?" can prompt very different and sometimes contradictory answers from members of the same management team.[2] Some leaders of a large chemical company, for example, saw the company as a "specialty business," while others thought of themselves as "raw materials suppliers for downstream value-adding industries." This dichotomy can lead to disjointed pursuits and disjointed strategy.

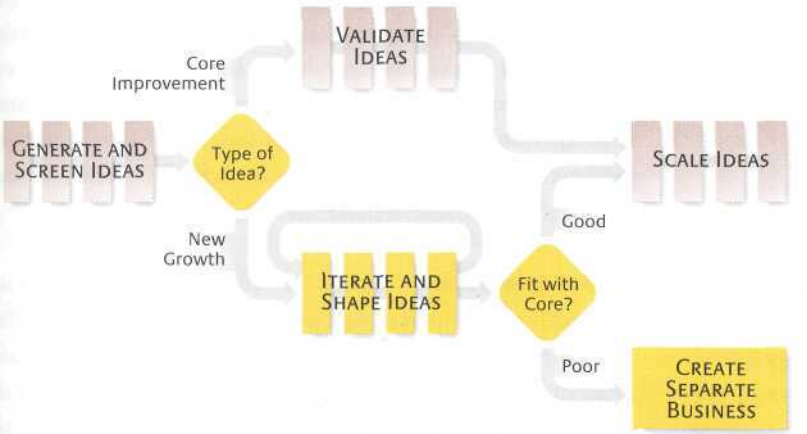
It helps to start at the center. Delegating goal and boundary definitions to business units without a strong corporate context can lead in too many directions and risk undermining corporate goals. Not enough communication between corporate and business units can compound the problem. Companies first should create goals and bounds at a corporate level. These conditions can then serve as guidelines for the somewhat narrower goals for subunits.

Boundaries can be liberating. Managers frequently believe that letting chaos reign can unleash their company's innovative energy. Removing boundaries, the logic goes, helps managers spot or create innovative growth businesses. Yet companies often come to realize that having a blank slate can make it surprisingly hard for managers. As a senior manager at a leading consumer health company put it, "What are our odds of success if we trawl the ocean, hoping to catch a whale?" Even worse is having a team spend months digging into a strategy that the company won't embrace under any scenario. Somewhat paradoxically, setting constraints can be liberating. Innovators who know what a company wants to do (the goals) and what it won't do (the boundaries) can focus their creative efforts.

Managing the balance is critical. Setting boundaries in particular requires striking a delicate balance. If boundaries are defined too loosely, managers can lose their way. If boundaries are defined too tightly, they can run into the innovator's dilemma where they miss the new growth business that ultimately powers transformation in their industry. When the boundaries are set well, teams should be encouraged to push them when they come up and to revisit them on a regular basis in any case.

A Simple View of the Innovation Process

Many companies have an innovation process where they generate ideas, validate the leading ideas and scale those ideas. Companies seeking to develop deep innovation capabilities need to augment that process with the ability to iterate and shape new growth ideas and conceive of different commercialization approaches.



A Balanced Portfolio Good investors know the value of aligning their portfolio with their investment objectives. For example, an aggressive growth strategy might allocate 50% of the funds in small company stocks, 40% in large-company stocks and 10% in bonds. In any given year, the portfolio could lose money, but in the long run it should produce strong growth. For less risk, the portfolio would have fewer stocks and more bonds. Although the upside might be lower, the odds of losing money in any given year will be lower, too.

Companies should approach growth in a similar way, with a mix of projects to satisfy their growth objectives. Ironically, organizations often find that their allocation of resources doesn't match their intended strategies. Often, the majority of their investments are in the category of incremental improvements, with few that qualify as new growth initiatives. While there's no "magic formula" for what the ideal portfolio should look like, a 50/30/20 split (targeting core improvements, logical extensions of the core business and new growth initiatives) can be a reasonable approach. This balance is not likely to be achievable in every unit in a large organization, however, and achieving the mix across the corporation may involve disproportionate investment in one unit of the organization over another.

It is important to remember that saying a portfolio is balanced is meaningless. Companies need to allocate resources appropriately toward the different types of innovation. Indeed, strategy doesn't determine how companies allocate resources; rather, how they allocate resources is what determines strategy.[3] Therefore, companies need to make sure that they set aside resources — both people and dollars — for different types of innovation initiatives in a manner that is consistent with their strategic objectives.

Creating — and protecting — separate pools of resources is vital. Companies that put all of their innovation resources into a single pot often find that low-risk (and low-return) core initiatives end up crowding out the investments that might have higher risk and take longer to perform but offer greater growth potential.

In the early days, the most important investment that companies can make in a new venture is not dollars but time. In fact, it's dangerous to invest too much capital too early. Research suggests that startup ventures have less than a 10% chance of starting with the right strategy. The worst thing to do, then, is to be locked into a flawed strategy prematurely. The best approach is to "invest a little to learn a lot." As such, investing relatively small amounts in the early days can be sufficient — provided that there are managers specifically tasked with finding and nurturing new growth businesses.[4]

In contrast to 3M Co.'s famous "15% rule" encouraging scientists to spend up to 15% of their time on projects they find personally interesting, we believe that companies seeking to create innovative businesses will do better allocating a few people fully than many people partially. This is particularly true when the goal is to develop ideas that are significant departures from the core business. If creating new products is a background task, most managers are likely to default to approaches that have worked before instead of legitimately different approaches.

Of course, it takes discipline to maintain separate buckets of funding and people for different types of initiatives. If the core business runs into trouble, there is an overwhelming temptation to tap resources that the company has allocated to more speculative ventures in order to save the company. In the short run, this may make perfect sense; in the long run, it can be disastrous.

This temptation is one reason why it is important to keep the core business as healthy as possible. In fact, the best time to start investing in new growth businesses is when the company seemingly doesn't need it. When the core gets sick, companies are under the gun to grow new businesses quickly. The pressure can precipitate a complex set of decisions — targeting large markets already populated with strong competitors or forcing a technology into a market before it is ready — that can stunt new growth efforts.[5]

Consider the case of Delta Air Lines Inc. As its core business deteriorated in 2005, Delta decided to fold Song, its low-cost

service, back into the core business and also sell its growing regional jet operation to raise cash. Unfortunately, the core wasn't healthy enough to provide "air cover" for new growth initiatives.

Construct on Innovation Engine

In our experience, the two most important components in the creation of any growth engine are a separate screening and development process that focuses on reducing the level of uncertainty and an innovation structure managed by a new growth board that helps oversee highly uncertain projects. Unless these elements are in place, new ideas tend to be modified to look like things the company has done in the past, undermining the company's ability to pursue highly differentiated new strategies.[6]

Screening and Development Companies have to treat different types of innovation opportunities differently. Although managers routinely approach different kinds of problems differently, companies tend to lump together things related to growth and manage them by a single set of metrics. This doesn't make much sense. An incremental improvement in an existing market just can't be measured, monitored and managed as if it were a bold new strategy in an emerging market. Pursuing fundamentally different opportunities the same way ensures that one of the opportunities will be underoptimized.

Generally speaking, new growth initiatives need to go through a more iterative development process, where the focus is on identifying and addressing the key assumptions and risks. The appropriate metrics that guide a new growth idea shouldn't be measures such as net present value or return on investment, which provide insights into the performance of the established core business; rather, companies need to use qualitative measures that relate to success in the target market.

Companies don't have to discard existing innovation processes. Rather, they can follow different paths for different types of innovations at each stage of the process — particularly where they test and shape ideas. (See "A Simple View of the Innovation Process," p. 47.) As the iterative development process eliminates risks from new opportunities, the new business can gradually transition to a company's core launch capability. This transition marks the formalization of a new business that someday may become part of the company's core. The exception is when the new venture is based on a business model that the core business sees as unattractive. The weight of historical evidence suggests that businesses that are disruptive to their core business need a great deal of organizational autonomy.

An oft-cited example is the retailing industry. In the early 1960s, there were hundreds of general merchandise retailers. Most of them failed to make the transition to discount retailing, but Minneapolis-based Dayton-Hudson Corp.was a notable exception: It launched a subsidiary called Target. Today, most people are familiar with the subsidiary, not the parent. Other industry leaders such as Hewlett-Packard and IBM have followed similar approaches to create winning disruptive businesses.[7]

When new ventures are internally disruptive, Vijay Govindarajan, professor of international business at the Tuck School of Business at Dartmouth, advises against mindlessly "borrowing" core assets. Those assets often carry the wrong kind of "DNA," which will limit the degree of freedom or take the team off their disruptive course.[8] For example, borrowing a core brand might reduce initial marketing expenditures but could force a new venture to hew too closely to the traditional standards of the parent. A salesperson trained in the ways of the core business might rely too heavily on customers he knows instead of the new customers he'll need to cultivate to make the business work.

Structuring for Success It is hard for new growth initiatives to succeed without structural support. For example, in early 2006, Scripps Newspapers' senior vice president Mark Contreras allocated more than $1 million to create a fund for proposals that wouldn't naturally fit the company's core newspaper properties. Contreras appointed Bob Benz, Scripps's general manager of interactive business, to oversee the fund. Benz, Contreras, two other Scripps representatives and three outsiders were chosen to govern the fund.

The group meets regularly to evaluate new ideas and review the progress of funded ideas. Managers who want to submit ideas complete "idea resumes" that provide a basic overview of the idea, the reason why the idea is worth funding and the critical assumptions that need to be addressed. Benz and his team regularly run innovation workshops at each of the company's 14 newspaper properties to help trigger the sorts of ideas the fund seeks. As of October 2007, the fund had evaluated close to 100 proposals, funded around 15 and had four businesses with real growth potential. As Benz describes it, "These investments aren't big bets. They're small disbursements designed to test key assumptions in the ideas that are being submitted. ... If we fail, we want to make sure everyone learns from our missteps. And when we succeed, we want to ensure that all of our papers can leverage that success. ... We don't think we have all the answers, not by a long shot. But we believe we're heading in the right direction."[9]

Scripps's approach of creating a fund is just one way to structure for innovation. (See "Innovation Structures.") Regardless of the approach, a small oversight board (often called a "ventures board" or "growth council") can be the glue connecting different innovation efforts in a company. It can oversee the identification and early-stage development of new growth opportunities. Such a board can be a powerful tool for building new growth businesses and pulling senior management into the early stages of the innovation process.

Innovation Structures

There is no one-size-fits-all way to structure for innovation. The following describes four different structures to consider

Structure	Goal	Strategic Goal: Support	Strategic Goal: Create	Interaction with Core: Low	Interaction with Core: High	Required Resources: Low	Required Resources: High
Training Unit	Help internal innovators in their efforts to create new growth businesses						
Funding/ Oversight Mechanism	Provide funding and assistance to internally generated ideas						
Incubator	Kick-start innovation by incubating businesses that ultimately "land" in the core organization						
Autonomous Growth Group	Nurture and launch new growth businesses that extend beyond the core						

1. Training units to help stimulate innovation

Companies that pursue this typically believe that their organization has the right basic infrastructure to support innovation. However, they also recognize that managers and teams may need help solving practical innovation problems, developing new mindsets or gaining exposure to important external developments.

Innovation training units help to build disruption-specific skills and culture. They methodically build the skills and change the mindset of core personnel to fuel internal innovation. For example, the Learning & Development unit within agrichemical giant Syngenta AC designs and executes training courses that foster innovative and leadership qualities.

Training can come from outside the organization as well. Infineum, a joint venture between ExxonMobil and Shell, created a small advisory board in 2007 to help it tap into external trends. The board includes the CEO, leaders from the unit's technology, intellectual property, supply chain and human resource functions and external advisors. The board has a semi-structured dialogue on a quarterly basis with leaders of Infineum's growth initiatives.

***2.* Funding/oversight mechanisms to help shepherd innovation**

Companies that find that internal innovators get "stuck" can champion innovation efforts and remove obstacles that would otherwise limit the potential for innovative ideas to succeed. Internal groups like the Scripps fund help to nurture and safeguard innovative efforts but still rely on the rank and file to drive individual initiatives forward. At General Electric, CEO Jeff Immelt created the Commercial Council, a team of about 12 senior executives. It holds monthly conference calls and quarterly meetings to discuss innovation proposals and growth strategies put forward by its business leaders.

3. Incubators to help accelerate ideas

Sometimes funding mechanisms aren't enough. Dedicated incubator groups can take rough ideas and relatively quickly turn them into something bigger, better, cheaper and faster. Once ideas have received a focused push, they can be reabsorbed into the core organization.

Shell Oil Co. created a program called "GameChanger" to help it proactively foster or prioritize novel ideas. Launching the program, Shell said that it "recognizes that a rich vein of innovative ideas runs through Shell Chemicals, but that new ways are needed to surface these ideas, take account of external influences and provide appropriate, staged financing for their development." This unit strives to develop real businesses that are "outside and between" the company's existing lines of enterprise by following a process "outside the constraints and priorities of Shell's day-to-day business."[1]

4. Autonomous growth groups to launch businesses

Finally, companies seeking to launch businesses that are markedly different from their core business can set up autonomous groups to identify and develop noncore business concepts. Growth groups typically have a secure budget and decision-making autonomy.

At Dow Chemical Co. a separate, autonomous group identifies and develops noncore business concepts and explores concepts outside the core's comfort zone. It has a small group of fully dedicated innovation generalists plus other high-potential leaders who rotate in from the core business for periods of a year or more. The group also relies upon partial allocation of functional experts from the main organization. A modest budget allows it to quickly iterate solutions toward success, passing ideas back to the core business or seeking additional resources from the CEO to launch new businesses.

Companies do not need to embrace a single structure. Procter & Gamble employs multiple structures simultaneously. At a corporate level, its autonomous growth group called FutureWorks is dedicated to "building tomorrow's brands."[ii] Within its business units, new business development groups incubate new ideas. In 2005 P&G set up a training unit with "guides" to assist project teams working on disruptive ideas. Its chief technology officer manages a "Corporate Innovation Fund" that helps fund ideas that don't fit the normal prioritization process. Many of its core brands also have external advisory committees to stay abreast of key scientific developments.

i. Shell Chemicals, "Delivering on Our Commitment to Sustainable Development," (London: Shell Chemicals, 2003).

ii. D. Laurie, Y. Doz and C. Scheer, "Creating New Growth Platforms," Harvard Business Review 84 (May 2006): 80-90.

Support the New Growth Engine

It takes more than a clearly defined strategy, allocated resources and a new growth engine to drive innovation. Unless management creates a supportive climate and leads by example, the effort can fall short. Companies that succeed in this area have senior managers who are actively involved in idea screening and development; share a common language of innovation; draw on substantial external input and create policies and incentives that encourage people to take managed risks on the path to innovative growth.

Deep senior management involvement. A systematic ability to innovate and grow needs support from the company's very top managers. Senior managers must clearly communicate the strategic importance of innovation. Their commitment must go beyond words to include active participation in the activities that promote innovation within the organization. In addition, senior management needs to change the way it interacts with project teams. In many companies, the relationships between senior managers and project teams are adversarial. It's one thing for senior managers to act as "devil's advocate" and poke holes in a project team's plans. But when a company commits to a new direction, senior managers need to become problem solvers, not just problem finders.

A useful way to think of senior management's role in supporting growth initiatives is to think about the distinction between television watching and working on a computer: Watching television typically involves "leaning back" to watch, while using a computer involves "leaning forward" to interact. Senior managers can lean back and review core improvements, but they must lean forward and roll up their sleeves to work on growth initiatives. Procter & Gamble embodies this principle. CEO A.G. Lafley regularly visits consumers in their homes; senior managers take part in brainstorming sessions with consumers; top technologists spend time in the labs to interact

Strategic Dimensions Affecting Innovation

Companies seeking to boost their ability to create growth through innovation need to be clear about their goals (what they want) and boundaries (what they won't do). Companies should set goals and boundaries for a wide range of strategic factors. The following factors can be useful areas to consider:

Which customer group can it target? If the company is consumer-focused, can it consider business customers? If the company is business-focused, can it consider targeting consumers?

Which distribution channel can it use? If the company typically relies on a retail channel, can it consider going direct? If it typically uses mass channels, can it consider using niche channels?

What revenues does an idea have to reach at steady state? $100 million? $50 million? When is steady state?

What kind of margins does it need to obtain at steady state? Above the current margins? On par with the current margins? Or below the current margins?

What is the offering it will provide? If the company typically sells products, can it sell services? If it typically sells services, can it sell products?

What geography will it target? If the company typically launches locally, could it launch globally? If it typically launches globally, could it launch locally?

Which brand will it use? Can the company consider creating a new brand?

How will it make revenues? Can the company consider new revenue streams? Which ones are on or off the table?

Which suppliers and partners will it use? Can the company consider using new suppliers? Can it outsource things it normally does itself? Can it do things inside it normally outsources?

What tactics will it use? Can the company consider acquisitions and partnerships?

What go-to-market approach will it use? Can the company consider test markets with preliminary prototypes that aren't perfect?

Of course, there are other dimensions that may be relevant to particular industries. Pharmaceutical companies, for example, might want to incorporate perspectives on medical efficacy claims, chemical companies will need to consider allowable environmental impact and media organizations will want to consider advertising reach.

with scientists. The goal is to develop wisdom and insight about where new growth opportunities will come from over the next decade and beyond.

A common language. Companies with a common language are able to avoid some of the mental traps that can make the innovation difficult. These traps include pursuing perfection when "good enough" is often sufficient, overestimating knowledge of new markets and making big bets when it's better to begin with small ones.

Both senior managers and middle managers need to overcome these mindsets. Middle managers make many of the day-to-day decisions in a company. Well-intentioned middle managers who do what they have always done can default to core behavior when fresh thinking is required. A senior manager who doesn't "get it" can destroy a highly innovative approach by asking the wrong questions at the wrong time. A common language of innovation can help companies avoid these pitfalls.

Language played a major role in one of the best-known examples of market disruption: Intel Corp.'s response to competitive threats at the low end of the microprocessor business during the late 1990s. At the time, Clayton Christensen was running a series of training courses with the company. By his count, he made 20 trips to Intel during this period, educating hundreds of company managers on the principles and language of disruptive innovation. Intel subsequently launched what became known as the Celeron processor, a stripped-down, low-cost chip to compete in the least-demanding tiers in its industry. The Celeron processor slowed the advances of disruptive attackers such as AMD Inc. and Cyrix Corp, and it became a substantial business for Intel.[10]

Christensen believes that education played a critical role in helping Intel formulate and execute its response to the competitive threat. "At the end of it all, I was talking with [then Intel CEO] Andy Grove," Christensen says. "He said, 'You know, the model didn't give us any answers to any of the problems, but it gave us a common language and a common way to frame the problem so that we could reach consensus around counterintuitive courses of action.'

"Without that," Christensen continues, "the only way you can reach consensus is when the numbers make the course of action absolutely clear, [but] the data is only available about the past."[11]

Extensive external input. In the last five years, companies have begun to realize the power of what Henry W. Chesbrough of the University of California at Berkeley's Haas School of Business calls "open innovation." P&G is an instructive example. Historically, the company had a reputation for being extremely insular, yet several years ago CEO Lafley put forward a challenge: by 2010, 50% of the company's innovations had to involve some form of outside connection. Since then, P&G has augmented its research and development capability with a new ability to "connect and develop." P&G's goal is to shift its internal mindset from "not invented here" to "proudly found elsewhere."[12]

Generally speaking, companies need to find ways to bring external perspectives into the innovation process. This involves having well-defined ways to interact routinely and repeatedly with their core customers, learn from noncustomers, monitor ongoing industry experiments, scan for emerging technologies and import ideas from other industries. Setting up regular ways to draw on external stimuli (including having unaffiliated experts on new ventures boards) can expose previously invisible opportunities for innovation.

Supportive human resources policies. Companies need to redesign their policies, incentives and development paths to be consistent with their appetite for innovation. Instead of looking for "right-stuff" managers who have succeeded in core assignments, they need to look for managers who have attended the right "schools of experience" so they can spot and nurture new growth businesses. For many companies, finding the right managers might require hiring people from the outside, because even the most capable internal managers may never have wrestled with challenges related to creating new growth businesses.[13]

Getting incentives for innovation right is clearly a large hurdle for established companies. Startup companies can issue equity that allows managers to share in a venture's upside potential. Providing meaningful incentives at an established company requires creativity. Companies need to find a way to link managed risk taking with pay structures, bonuses and/or career progression. Typically, "intrapreneurs" will not have the same upside as entrepreneurs, but they also will have significantly lower downside risk. Most new ventures fail; if an internal venture fails, managers tend to land on their feet without having to search for an entirely new job.

Companies need to design development paths that encourage high-potential employees to spend time working for growth initiatives. Working on risky ventures can be a great training ground for emerging leaders: Many of the challenges new ventures face are general management issues.

As companies develop HR structures to help them reach their innovation goals, they need to consider how they can offer promising employees the broadest possible exposure to new ways of problem solving and decision making. One way to do this is to rotate people through a variety of different jobs. Ideally, the training will enable them to become effective leaders for the next new core business.

CREATING THE CAPABILITY TO GENERATE a stream of innovative growth businesses doesn't happen overnight. Companies seeking to institutionalize innovation can start by conducting an audit of their innovation capabilities and developing a plan for addressing identified weaknesses. Changing an organization's culture and

building new structures and systems can seem daunting. However, companies that are able to develop a shared viewpoint about the ultimate destination, take modest first steps and stand ready to make adjustments as they determine what works and what doesn't work have been able to make significant strides.

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3. J.L Bower and Clark G. Gilbert, "From Resource Allocation to Strategy" (New York: Oxford University Press, 2005). This book is an outstanding compendium of research on the resource-allocation process.

4. A. Bhide, "The Origin and Evolution of New Businesses" (New York: Oxford University Press, 2000); and J. Clayton, B. Gambill and D. Harned, "The Curse of Too Much Capital: Building New Businesses in Large Corporations," McKinsey Quarterly 3 (1999): 48-59.

5. This pathology is described in eloquent detail in Ettenson, "Innovator's Solution," chap. 9.

6. Consider, for example, Wal-Mart's ill-fated effort to create a social network; airlines-within-airlines like Delta's Song or United Airlines'Ted; Kodak's original $30,000 digital camera; newspaper Web sites that were carbon copies of the print publication; and Nokia's N-Gage phone. All of these approaches seem to suffer from insufficient separation from the core business and core processes, leading to compromised solutions.

7. Christensen, "Innovator's Dilemma"; see particularly Chapter 5, "Give Responsibility for Disruptive Technologies to Organizations Whose Customers Need Them."

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STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION

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Christine P. Leamon, Publisher