WHO SAYS BIG COMPANIES CAN'T INNOVATE?

BY KAREN DAHUT
In April 2010, Booz Allen risk analyst Eric Druker listened to a presentation about a new algorithm for running Monte Carlo simulations during a Business Analytics conference in Orlando, Florida. The algorithm could drastically decrease simulation run time but came at the expense of accuracy and the ability to correlate model inputs. These drawbacks obscured its viability as a meaningful tool in disciplines such as finance, actuarial sciences, stochastic modeling, and cost analysis, where practitioners have long since grown accustomed to highly-accurate models.

The presentation, however, sparked something in Eric. He left the conference early, flew home to Eureka, Missouri, and immediately began working on an algorithm that not only improved accuracy and allowed correlation between input variables, but that could also run the more complicated Monte Carlo simulations in a sliver of the time it took with the previous iterations.

The process of refining, improving, and adapting the original algorithm has since become a team effort with a swarm of activity from employees and executives alike. Today, Polaris, as it is known, is a commercial off the shelf (COTS) tool that has generated over $25M in new business for Booz Allen and is the genesis for our RealTime Analytics™ product and service offerings.

A few years after Eric left early from that conference in Orlando, engineer James Bridgers and some of his coworkers started brainstorming better ways to systematically identify potholes. Although none of them worked in transportation, in fact they all work in the defense industry, each was interested in participating in the Ideas Festival—an annual company event where employees vie for the opportunity to win investment funding to turn their ideas into business plans and real solutions for clients.

To put their best idea forward, James and his team designed and built a minimum viable product to demonstrate the simplicity of building a feature detection algorithm to identify potholes. An aggregate of our analytics and rapid prototyping capabilities, Road-Aid has the potential to disrupt the way cities, insurance companies, and governments detect road distresses. The idea won Booz Allen’s annual Ideas Festival last year.

I offer these examples to demonstrate that while large companies, like Booz Allen, can source ideas in a variety of ways (Polaris was a classic ‘Eureka’ moment, whereas Road-Aid gestated over time), it is the cultural processes of working toward a focused agenda, habitually collaborating with brilliant, likeminded employees, and connecting with partners in the global innovation ecosystem that ultimately drives sustainable innovation.

In 2013, we began developing an Innovation Blueprint—a series of components and systems to source, supply, and mature our own innovation practices. Built off a cultural approach to innovation, the Innovation Blueprint is a repeatable method by which any large organization can harness the power of its institution and habitually collaborate with, and participate in, the global innovation ecosystem. This cultural approach allows big companies to pursue incremental improvements and adjacent applications for initiatives with transformational potential.

Burnt Cheese – The Value of Brand

The first component of the Innovation Blueprint is establishing what a company wants to be known for. Take Starbucks, for example. It experienced 20 years of rapid growth, expanding from 33 coffee shops in 1988 to 16,680 in 2008. Its success came as a consequence of many things, but chief amongst them was its experience as ‘the third place’ between home and work.

As Starbucks grew it began to diversify its service offerings and added breakfast sandwiches. From a financial perspective, the breakfast sandwiches were a success. People bought them, and enjoyed them. But as Howard Schultz acknowledges in his book, How Starbucks Fought For Its Life Without Losing Its Soul, the aroma of burnt cheese became the quintessential example of how Starbucks was losing its way. In 2008, the company stopped selling breakfast sandwiches for six months until it had made incremental improvements to the product. For Starbucks, the coffee scent was a brand signifier of the promise and value that helped grow the company. Odorless sandwiches allowed Starbucks to strengthen its value proposition by focusing on the right scent.

Similarly, Booz Allen established a reputation for premier federal consulting services and an...
unsurpassed knowledge and appreciation for our clients’ missions. This reputation was in part responsible for our growth from 3,500 employees in the late 1980s to the more than 23,000 strong company we are today. Booz Allen’s burnt cheese, however, came when the financial crisis hit in 2008. Federal spending was shrinking. Our primary markets were constricting. Yet our clients demanded more value for the same or less money.

These new market concerns, coupled with an evolving stakeholder base, demanded an examination of our current market position and opportunities to make bold thrusts into adjacent markets. This led to a renewed focus on innovation, new technologies and ideas, and our recommitment to energize our entrepreneurial employee base. If you want to be known for something, you have to make the investments to prove it.

Focus Your Agenda

Executives should determine their investments through a deliberate deconstruction of their clients’ most complex problems. They can then align a set of core and progressive initiatives against those problems. At Booz Allen, we call our set of initiatives our focused agenda. This targeted investment approach provides the opportunity to focus resources and deploy lean methodology for prototyping and maturing new solutions. A bundled set of initiatives further affords big companies the flexibility to pivot, adjust, add, or swap out individual initiatives as the nature of our clients’ problems evolve.

A company’s client and customer partnerships, as well as its participation in the global innovation ecosystem can drive advances within each discrete initiative. Working directly with clients and customers will help executives evaluate which initiative to include in their focused agenda and also determine what products and services to develop. Similarly, a company’s internal ecosystem and connection to the global innovation ecosystem can help shape and create the types of products and services that the company pushes into the marketplace.

The initiatives in a company’s focused agenda can yield significant value for both the company and its clients. Through a relentless commitment to continually refine and combine initiatives a company can guide construction of original solutions with disruptive, transformational potential. These solutions can solve clients’ most complex problems, and, in the process, diversify the offerings within the company’s innovation portfolio.

Inspire Your People

The smart money, however, comes when organizations erect a culture that can both capitalize on their focused agenda, and empower their employees with the freedom to capture, play, and fail with different ideas that augment or that contribute to the initiatives in the focused agenda. That is, organizations that establish and promote a level of sensible risk and allow its employees to fail forward, learn from their mistakes, and refine their approach accordingly, are better positioned to also capture the residual incremental and adjacent innovations.

Yet, the freedom to experiment and play with ideas has a natural tension with the efficiency of large companies that often manage risk through process standardization. These formal structures can stifle creativity. In fact, overbearing structure and protocol is one of the principal reasons why people believe big companies can’t innovate.

Big companies, however, can overcome this rigidity by driving strategy and innovation though culture.
By instilling a culture of innovation—one that encourages original thought, sensible risk taking, and collaborative problem solving—companies can avoid the smothering effects bureaucracy can have on innovation.

This culture is not created by chance. It is engineered. It is practiced. And it starts with inspired people. As part of our Innovation Blueprint, our people program develops careers around meaningful opportunities, constant learning, rotational programs, and business practices. Our intent is to inspire existing employees to demonstrate their entrepreneurial flair, entice new prospective talent with the opportunity to do likewise, and reward leaders who support a culture that connects their staffs’ brilliant ideas to the internal and global innovation ecosystems. When big organizations can create a culture that motivates a critical mass of employees to participate and engage in innovation events, those companies increase the probability of creating a sustainable pipeline of innovation.

Harvest Your Culture
Organizations that cultivate an internal ecosystem and inspire their people can nurture smart ideas and harvest innovation at regular intervals. As part of our Innovation Blueprint, we grow communities around an internal ecosystem of cultural spaces, events, and tools that we can connect to the larger global innovation ecosystem.

The key to a successful harvest is encouraging employees, project teams, and internal communities to leverage and own the pieces of the internal ecosystem as intended. Functional Communities—or equivalent tradecraft and intellectual capital incubators—for example, should engineer their activities to gather particular types of thinking. For example, presenting a problem and asking for a solution can yield incremental enhancements, whereas presenting a solution and requesting a problem to apply it to can unearth adjacent applications.

Another cultural element large organizations should consider is pitch events. At Booz Allen, we have two premiere pitch competitions: the annual Ideas Festival, and the bi-annual Combustion Chamber. The intent of these events is to improve employees’ pitching skills to persuade investment from senior leaders. Leaders then gather the best ideas, which can be refined internally or in collaboration with partners in the external global innovation ecosystem, before driving them into the market place.

Don’t Go It Alone
Internal funding and mentorship, however, is only the start. A company’s innovation practices is enhanced and inspired by its participation in the broader global innovation ecosystem. Our Innovation Blueprint posits the best, original innovations do not happen within the brick and mortar of one’s own company, but in disciplined, deliberate collaboration with external partners. It is a collaborative approach that challenges traditional organizational development and design theories.

<table>
<thead>
<tr>
<th>Ecosystem Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IN PERSON EVENTS</strong></td>
<td></td>
</tr>
<tr>
<td>Pitch Events (InnovateNow!, Combustion Cells, Pitch Jams)</td>
<td>A collection of events that refine and mature employee ideas, and gain the knowledge and skills needed to successfully construct and deliver a pitch that persuades investment.</td>
</tr>
<tr>
<td>Pitch Competitions (Annual Ideas Festival, Bi-Annual Combustion Chamber)</td>
<td>Competitive pitch events where employees vie for the opportunity to win investment funding and mentorship from executives.</td>
</tr>
<tr>
<td>SolverSpace</td>
<td>A space where employees can store, share, and reuse codes and algorithms they are working on and tinker with their colleagues’ ideas.</td>
</tr>
<tr>
<td><strong>VIRTUAL ENABLERS</strong></td>
<td></td>
</tr>
<tr>
<td>The Garage</td>
<td>A digital space where employees can suggest enhancements for particular ideas, crowdsource ideas for a particular challenge, and develop actionable solutions to market problems.</td>
</tr>
<tr>
<td>The BAHx</td>
<td>A space where employees can share and store the codes and algorithms they are working on and tinker with their colleagues’ ideas.</td>
</tr>
<tr>
<td>Yammer</td>
<td>An internal social platform where employees can connect and engage each other around fresh ideas.</td>
</tr>
<tr>
<td>The Idea Exchange</td>
<td>A free-flowing, grassroots platform where employees can share and discuss ideas, get feedback from colleagues, and find opportunities for their teams.</td>
</tr>
</tbody>
</table>
In today’s networked economy, for example, most organizations no longer have the sole responsibility to guide a product through the entire development lifecycle. Embracing the members of this connected and interdependent global ecosystem means co-investing in partner alliances, aggregating their reciprocal investment and expertise to source and mature good ideas, and leading through connections to experience greater value than those organizations that go it alone.

Tesla Motors CEO Elon Musk, for instance, recently revealed the electric car company would open up its patents, “for the advancement of electric vehicle technology.” When Tesla started, Musk felt compelled to create patents for his company’s technology out of concern large car manufacturers would copy the technology, and, with their size advantages, zoom past Tesla on their way to market.

He couldn’t have been more wrong. The reality is that electric car programs at the major manufacturers account for less than one percent of their total vehicle sale. Without the production capabilities of the large manufacturers it is unlikely that electric recharging infrastructure will be built. Without the infrastructure consumers will hesitate to adopt the electric car. By reversing course, Musk believes the transportation industry will be able to assemble a cumulative gain from the various internal and external sources that make up the automotive industry.

At Booz Allen, our rapid growth in the 1990s and 2000s extended the breadth and depth of our networks. Our rich network of partnerships and alliances, along with our relentless commitment to our client missions means we are able to act as the conduit to innovation between the markets, our partners, and our clients. Our expertise in applying technological innovations has made us an essential partner for companies seeking to connect their services to federal business challenges.

With the ubiquity of iPads in business settings, for example, Intel sought to regain market share for Intel-based, enterprise-ready Windows 8 tablets in the healthcare market. While healthcare providers desire the manageability and security of Windows devises, the shortage of applications makes them untenable.

Consequently, Booz Allen, Intel, and Microsoft agreed to co-invest in an app development project for a global provider of Electronic Medical Records (EMR). Each organization leveraged each other’s investments and skillsets, which allowed us to serve as the essential partner that worked directly with the EMR provider to develop the Windows 8 application. The result is an award-winning, disruptive new technology that has the potential to shape prospective healthcare procurement opportunities.

**Bringing it Altogether**

When bolted onto a culture of recursive collaboration, the components of the Innovation Blueprint map a course for sustainable innovation. Big companies, like Booz Allen, are seasoned at driving products and services into the market. They have the networks, salesforces, and relationships to outpace startups to market. The key for these companies, however, is lubricating the components of the Innovation Blueprint with consistent, useful innovations from the bright ideas of its employees.

Executives at big companies who choose to power their business through culture know that not every employee will choose to participate in events, or approach their managers with a new way of thinking about a problem. Some employees just want to do their job to a high standard. And that’s okay.

But that doesn’t mean big companies can’t innovate. Companies like Booz Allen, which on January 2nd rang the bell at the New York Stock Exchange to celebrate our 100th anniversary, and expect to be around for a second century, cannot endure if they fail to innovate forward. Longevity, relevance, and competitive advantage demands innovation.

Companies that set into motion elements of the Innovation Blueprint, like a focused agenda, an internal innovation ecosystem, and actively participate in the global innovation ecosystem, with a culture of relentless entrepreneurialism can achieve a necessary level of employee engagement to run and maintain its business with a steady flow of new products and services on a continual, recursive basis. It’s not where the ideas come from that matters, but the cultural process by which organizations assemble and develop them into market-applied innovations.

Booz Allen Hamilton Executive Vice President Karen Dahut leads the firm’s Strategic Innovation Group (SIG). Contact her at Dahut_Karen@bah.com.